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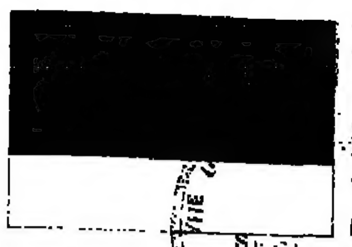
FINANCIAL TIMES



Estonia

Russia's Hong Kong

Page 12

News on the Net

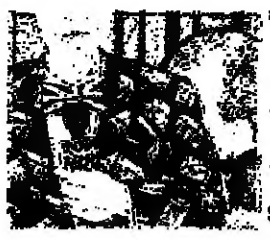
A first from Germany's ARD

FT IT, Page 10

Defence industries

New muddle in Europe

Page 3



Today's surveys

FT Exporter
Broadcast Media

Separate sections

World Business Newspaper http://www.FT.com WEDNESDAY DECEMBER 11 1996

US deficit hits record $48bn as exports decline

The US current account deficit hit a record $48bn in the three months to September as exports fell for the first time in more than three years and payments from foreign assets in the US rose sharply. The deficit was up 19.3 per cent from the previous quarter. The trade balance was affected by relatively strong demand growth at home and weak growth overseas. Page 14

New Zealand gets a government: Winston Peters (left), leader of the nationalist New Zealand First party has agreed to form a coalition with the conservative National party, giving the country a government nearly two months after its first general election under proportional representation. National party leader Jim Bolger will continue as prime minister and has agreed to defer tax cuts. The new government is to widen its inflation target but economic policies continue largely intact. Page 8

China modifies WTO bid: China plans to reinforce its bid to join the World Trade Organisation by proposing a new package of trade liberalisation measures in February. Mr Long Yongtu, assistant minister of foreign trade, said his government had dropped its demand to enter the WTO with full developing country status. Page 14; End in sight, Page 4

UN sets up oil-for-food account: The UN oil-for-food operation will be handled through an account at the New York branch of the Banque Nationale de Paris. The account will be credited with the proceeds from Iraq's oil sales. Page 7

Gulf War syndrome study: Some 12,000 British soldiers are to be questioned in a new £1.3m ($2.1m) study of so-called Gulf War syndrome. The health of 6,000 Gulf War veterans is to be compared with that of 6,000 troops who did not serve in the 1991 campaign in an attempt to discover whether veterans suffer more illness and have more difficulties producing children.

Adtranz to make carriages in China Adtranz, the railway systems company owned by Daimler Benz of Germany and ABB of Switzerland, is setting up a joint venture with Changchun Car Company of China to make about 180 rail carriages a year. Adtranz, which will own 51 per cent of the venture, has contracts to deliver 120 carriages for the metro in Guangzhou and 210 carriages for the Shanghai metro. Page 4

French anti-terrorist swoop: French anti-terrorist police arrested 14 people in connection with a wave of bombings last year. They said the arrests were not directly linked to last week's subway attack in Paris.

$6m payout for RSI: US computer maker Digital Equipment has been ordered to pay almost $6m to three women whose arms and wrists were injured while they used Digital keyboards. The jury found no evidence that the keyboards were poorly designed but ruled that users should have been warned of the dangers of excessive keyboard work. Page 6

Scots split over seal cull: Calls by fisherman for an immediate cull of 15,000 seals off Scotland's Western Isles were branded "a bloody and needless massacre" by conservationists. But the islands' fishermen Western Isles Fishermen's Association claims the population is out of control with 30,000 hungry grey seals regularly plundering stocks off the outer isles.

Tung to be named HK chief: Tung Chee-hwa is set to be named Hong Kong's first post-colonial governor in a secret ballot among the 400 members of a Beijing-backed electoral college. Page 8

One in three shop 'green': One in three UK consumers is committed to "green" shopping, and one in five regularly buys green, says the National Consumer Council. The NCC says the government could improve this with an information campaign and retailers should provide cheaper products with better labels and logos.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	6,482.26	(+28.32)
NASDAQ Composite	1,323.35	(+7.08)
Europe and Far East		
CAC40	2,251.40	(-4.44)
DAX	2,891.00	(+33.76)
FTSE 100	4,035.7	(+24.1)
Nikkei	20,822.12	(+218.41)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	4.947%
Long Bond	100⅛
Yield	6.486%

OTHER RATES

UK: 3-mo Interbank	6⅜%	(same)
UK: 10 yr Gilt	100½	(99⅞)
France: 10 yr OAT	105.67	(105.73)
Germany: 10 yr Bund	103.40	(103.37)
Japan: 10 yr JGB	104.1658	(104.173)

NORTH SEA OIL (Argus)

Brent Dated	$23.88	(24.17)

GOLD

New York: Comex		
(Feb)	$370.5	(369.7)
London:		
close	$368.6	(368.8)

DOLLAR

New York: lunchtime		
£	1.6515	
DM	1.56245	
FFr	5.2525	
SFr	1.32805	
Y	113.35	
London:		
£	1.6615	(1.6474)
DM	1.5598	(1.5588)
FFr	5.2580	(5.259)
SFr	1.3285	(1.3281)
Y	113.345	(113.32)
Tokyo close:	Y 113.45	

STERLING

DM	2.5865	(2.5844)

Albania	LEK 275	Gibraltar	£1.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$30	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr280	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr30
Egypt	E£5.00	Italy	L3000	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (mainl)	Es265	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00

VW chief's snub dents chance of peace with GM

Carmarkers' feud inflamed after Piëch refuses to apologise

By Wolfgang Münchau in Frankfurt

The possibility of an out-of-court settlement of the legal battle between General Motors and Volkswagen receded yesterday as Mr Ferdinand Piëch, VW's chairman, refused to apologise for VW's role in the feud with its arch-rival.

The refusal effectively rebuffed a crucial GM precondition for a settlement in the legal dispute involving allegations of industrial espionage.

In an interview with Stern magazine, to be published tomorrow, Mr Piëch says: "I am not aware what there is to apologise about because we have not committed an injustice against anybody."

Adam Opel, GM's German subsidiary, insisted yesterday that the two sides were as far away from a settlement as they were three years ago, "when VW accused us of waging a war against them". VW tactics were "the continuation of their hard and uncompromising line", he said.

"If you look at what this man [Mr Piëch] says and thinks, after he had taken off his cheap mask, you see he is full of cynicism."

The company was referring specifically to comments earlier this week when VW said Mr Piëch would express his "deep regrets". It turned out that Mr Piëch's regrets referred to the costs and the irritation of the case.

The dispute between the two companies relates to the appointment of Mr José Ignacio López, a former GM executive, as VW's head of production and purchasing in March 1993. GM claims that Mr López had removed sensitive documents before he left for VW.

Mr López resigned from VW two weeks ago pending a forthcoming criminal indictment in Germany. His resignation was seen as paving the way towards an agreement. But GM views VW's subsequent decision to reappoint Mr López as a consultant as a provocation.

A source close to VW gave two reasons for Mr Piëch's refusal of a full-blown apology. "First we want to retain negotiating mass. This means an apology is still negotiable. Second, Opel wants us to express regret for criminal action. We can't do this... the apology would become an admission of guilt."

GM was angered by Mr Piëch's assertion that "we have the better cars and General Motors has the better lawyers". Mr Piëch's prediction that German car buyers would shun GM cars unless it backed off from litigation in the US was also seen as provocative.

Audi to build plant in Brazil, Page 16

Nato date to expand angers Russians

By Bruce Clark in Brussels

Nato, the western defence alliance, aroused Russian anger yesterday by saying it would begin its drive for enlargement into eastern Europe at a landmark summit in Madrid in July.

"Our goal is to welcome the new member(s) by the time of Nato's fiftieth anniversary in 1999," foreign ministers of Nato member countries said.

But a press aide to Mr Boris Yeltsin, the Russian president, dismissed suggestions that Moscow was ready to accept Nato's eastward expansion plans. "Russia's position on this issue remains firm and rather tough," Mr Sergei Yastrzhembsky said.

"It has not changed although our partners in dialogue have tried at various times to send to the world other signals . . . that Moscow has started to look more flexible, as if it had internally accepted such expansion. No. That is all fantasy."

The Nato foreign ministers tried to allay Russian fears by confirming that they had no plans to move nuclear weapons into eastern Europe. They also hoped to establish a formal Nato-Russia relationship by next summer.

Mr Warren Christopher, the outgoing US secretary of state, told fellow Nato ministers that the alliance had "no intention, no plan and no need to station nuclear weapons on the territory of any new members". Mr Christopher and other western ministers also agreed that next July's summit would have a triple agenda: internal Nato reforms, relations with Russia and establishing a swift timetable for enlargement.

Although it was desirable for Nato to negotiate a formal relationship with Russia in time for the summit, US officials said, nothing would upset the alliance's plan to open its doors to new members.

"We hope between now and July to work out an arrangement with Russia - but the choice is Russia's", said Mr Christopher.

Mr Javier Solana, Nato's secretary general, said he hoped to begin negotiations with Russia early next year on formalising links with Moscow, possibly through a charter. Mr Solana held an initial meeting with Mr Yevgeny Primakov, Russian foreign minister. The meeting was described as cordial but they did not discuss Nato enlargement.

US officials yesterday reaffirmed their commitment to a "more visible European identity" within Nato, but made it clear that the main problem in Franco-American relations - over the alliance's south European command - was far from resolution.

The US is resisting French demands for the command to be headed by a European.

US troops abroad, Page 6 Nato protest, Page 4

President Nelson Mandela signs into law a new constitution for South Africa in Sharpeville. Also present at yesterday's signing was Cyril Ramaphosa (centre), chairman of the constitutional assembly that wrote the 150-page constitution which includes a Bill of Rights guaranteeing equal rights for all. Picture: Reuter

Amexco and UK bank in card deal

By George Graham, in London

American Express, the US-based payments card company, yesterday advanced its plans for rapid expansion in Europe with an agreement allowing National Westminster Bank of the UK to issue an Amex brand credit card.

The deal follows a rebuke issued in May by the European Commission to Visa, American Express's rival in the payments industry, over its efforts to prevent its member banks issuing competing cards such as Amex.

"Europe has become the easiest place to work because the EU has warned off Visa and MasterCard," said Mr John de Trafford, American Express country manager for the UK and Ireland.

American Express traditionally concentrated on issuing its own charge cards, which had to be paid off each month. It retained a strong position in corporate travel cards, but as its share of the overall payments market was eroded it decided this year to seek partners in the banking industry.

American Express had already signed deals with banks in Ireland, Spain, Portugal and Greece, but yesterday's NatWest deal is its most significant breakthrough in Europe's most established credit card market. NatWest's

Continued on Page 14

Hoechst sale will give it 45% stake in Clariant

By Jenny Luesby in London

Hoechst, the German chemicals conglomerate, yesterday agreed to sell its struggling speciality chemicals business to Clariant in return for a 45 per cent equity stake in the Swiss industrial chemicals company.

The combination will create the world's largest speciality chemicals group, with annual sales of more than DM9bn ($5.70bn), ahead of Ciba Speciality Chemicals, due to be spun off by the Swiss group, Novartis, next year.

Hoechst operations will account for more than two-thirds of the enlarged group's turnover and the German group will become by far the largest shareholder in Clariant, which was spun off from Sandoz in a SFr1.5bn international public offering in June, 1995.

But in a novel development, Hoechst has eschewed control over the enlarged business. It has agreed to having voting rights on only 20 per cent of the shares and to nominating only one executive vice-president on the four-man executive board.

In return, Clariant will take on around a third of the German group's net debt. The precise figure has not been agreed, but Hoechst expects to pass on between DM3.5bn and DM4bn of its debt.

Mr Klaus-Jurgen Schmeider, finance director of Hoechst, said yesterday it would have been at odds with the German group's strategic concentration on life sciences to expand in speciality chemicals.

Mr Schmeider said the primary motivation for the deal was cost-cutting. The partners expect to cut 5,000 jobs out of a total of 31,000 and make annual savings of SFr500m within four years.

For Clariant, with sales last year of SFr2.15bn, the deal would help it achieve the size necessary to achieve maximum economies of scale in a fiercely competitive sector.

Clariant was also very exposed to Europe's declining textiles sector, which buys almost half of its products.

Shareholders from both companies yesterday welcomed the merger.

Clariant's shares closed up more than 13 per cent. Hoechst's rose by 3.6 per cent. Chemicals analysts described the deal as "extraordinarily imaginative".

● Hoechst was last night expected to announce it was acquiring the minority of Roussel Uclaf, the French pharmaceuticals group, it does not already own. Hoechst already holds 56.51 per cent of the French company. The shares closed up 2.79 per cent at FFr1,439, giving the minority shares a value of FFr17.8bn ($3.38bn).

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

NEWS: EUROPE

EU entrants 'must sign up for Emu'

MEPs' hard-hitting report endorses enlargement of the Union but says it will be far from easy

By Caroline Southey in Strasbourg

Countries wanting to join the European Union will have to endorse the objectives of monetary union and adjust economic policies accordingly, according to a European parliament report.

MEPs are today expected to endorse a hard-hitting report on the EU's enlargement strategy which lists a host of obstacles to absorbing countries from eastern and central Europe into the EU. Although it endorses the political objective of enlargement, it sets out starkly the tasks the Union must face before it can realise the goal, and the economic reforms that applicant states must introduce.

Countries joining "must be able to meet the obligations of full member states, and, above all, endorse the objectives of economic and monetary union", the report warns. It points out that Emu is part of the EU's *acquis communautaire* (the core body of EU legislation) which new member states will have to accept as an "eventual objective". As a result they will have to "commit themselves to pursuing an economic policy consistent with that objective".

The report, by the parliament's budgets committee, sets out a list of economic changes aspirant members will have to put in place, pointing out that "even countries which have made considerable progress towards setting up the institutions of a market economy [as in the Czech Republic] continue to have difficulties, particularly in terms of inflation and interest rates".

Applicant countries are urged to press ahead with privatisation of large enterprises, reforms of their public sectors and financial systems, and to "encourage private initiative". This process will "require years and substantial expenditure".

The report warns against "hasty enlargement" and rules out "accession en bloc" which it considers unrealistic given the differences in the economies of the applicants. Instead, it argues there should be a short and "specific pre-accession period tailored to the needs of each applicant country and ending in certain accession".

Also listed by the report are issues the EU will have to tackle if it wants to absorb new members. The cost is seen as the most serious obstacle, and the report maintains that the Union will not be able to expand unless it reforms its two biggest financial regimes: structural funds and the common agricultural policy.

It warns that costs have not been worked out adequately and that assessments of the financial implications of enlargement differ widely. Estimates of the cost of extending an unreformed common agricultural policy range from Ecu12bn ($15bn) to Ecu50bn ($62bn), while that of paying out money from structural funds on the present basis is put at Ecu14bn.

Mr Arie Oostlander, a Dutch Christian Democrat MEP, said the "wildest rumours" were circulating about the cost of enlargement, while the reality was that "adequate reliable information is not currently available".

● The parliament yesterday approved legislation to strengthen rules on labelling, advertising and presenting foods, Reuter reports. It is designed to provide consumers with more information about the products they eat. The Commission is to draft separate legislation on labelling alcoholic drinks. The text also excludes genetically modified foods, which are covered by proposals not yet agreed.

Employers press hard for stability pact

By Neil Buckley in Brussels

European employers yesterday turned up the pressure on European Union leaders to agree a "stability pact" for the future European single currency when they meet this weekend in Dublin.

Unice, the association of 33 industry and employers' federations from 25 countries, warned in a communiqué to the Dublin summit that agreement on a stability pact, plus a new exchange rate mechanism, and reinforced convergency procedures, was "vital for the credibility of Emu".

Monetary union was, in turn, the "best guarantee for the restoration of Europe's competitiveness", it said.

Its call follows the failure of France and Germany this week to resolve differences about the operation of a stability pact, a system of penalties for countries running excessive budget deficits after introduction of the euro.

Unice is also demanding swift action to complete the single market, suggesting adoption of a new deadline of January 1 1999. It is expected to be supported in this by the last of four reports on European industry by the EU's competitiveness advisory group.

The report, to be presented at Dublin by Mr Jacques Santer, the European Commission president, is expected to highlight telecoms, energy and indirect taxation as areas where the internal market must be made to function effectively, as well as to call for further multilateral efforts to open up Europe to trade and investment.

Mr François Périgot, Unice's president, warned yesterday that failure to agree on the framework surrounding Emu at Dublin would "destabilise public opinion" about the single currency which was already lagging well behind the enthusiasm of political leaders.

"We must have the courage to meet the demands of monetary integration, otherwise we will continue to lose competitiveness, and, little by little, disappear from the map," said Mr Périgot.

Unice said the single currency, as well as reinforcing the single market, should produce a "permanent and salutary change in the behaviour of governments" in the management of public finances.

The employers' union also called on the Dublin summit to resolve to limit the subjects under discussion in the inter-governmental conference on reforming the EU to those essential to the effective functioning of the Union after expansion. This would avoid the kind of ratification problems experienced with the Maastricht treaty. A repeat of that could put at risk both Emu and the single market.

The treaty, it said, should make enhancing European competitiveness its central aim, and balance social considerations with hard economic realities.

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Bruton sees good chance of accord

By David Buchan in Paris

Mr John Bruton, prime minister of Ireland, which holds the European Union presidency, said yesterday he was optimistic that European Union finance ministers would reach agreement at their meeting tomorrow on the "stability pact" to buttress the euro.

Emerging from a meeting with President Jacques Chirac, Mr Bruton told journalists the French leader's talks on Monday about the stability pact with Chancellor Helmut Kohl "will have reinforced the chances of an agreement between finance ministers" of the EU.

At that meeting in Nuremberg French and German ministers reported some progress – but not a breakthrough – on the issue of penalties for members of the euro zone over-shooting budget disciplines. But the Irish premier claimed that there was already agreement on "the greater part" of the stability pact, leaving only "very technical and, in a sense, completely marginal" points unresolved.

He said he wanted the issues resolved by finance ministers tomorrow and not left to the Dublin summit that starts the following day. "I don't think these subjects can be settled fairly easily at the level of the summit itself," he said.

Mr Bruton also defended the Irish presidency's 140-page draft treaty against the accusation last week by Mr Hervé de Charette, the French foreign minister, that it reflected the "mediocrity" of EU treaty negotiators – including Mr Michel Barnier, France's EU affairs minister.

In effect, Mr Bruton yesterday used Mr Barnier as a stick to beat Mr de Charette. He said he had praised to President Chirac "the role Mr Barnier had actually played in helping us to draft the [Irish] document".

Hilary Barnes adds from Copenhagen: Denmark would have to hold a referendum to approve the revised Maastricht treaty if the new treaty followed the Irish draft, Mr Poul Nyrup Rasmussen, prime minister, said yesterday.

Treaties transferring sovereign powers to an international organisation must be approved by referendum, according to the constitution.

Mr Rasmussen said that the increase in the powers of the European Union to conclude international trade agreements would make a referendum necessary.

EUROPEAN NEWS DIGEST

EU industry output rises

Industry in the European Union yesterday reported the first increase in manufacturing output for 13 months amid a further general improvement in business confidence. A European Commission survey of more than 25,000 companies showed sentiment continued to recover from its trough earlier this year. Manufacturing conditions improved in 11 countries including the key German market, but deteriorated in France.

A spokesman for the European Commission said yesterday: "Now we are in a position in industry where we can say there is sustained growth." This was underpinned by an upturn in export orders. But stocks were still relatively high and more companies expected to cut prices than to raise them. Consumer confidence, unchanged between October and November, was on a slowly improving trend. *Graham Bowley, Economics Staff*

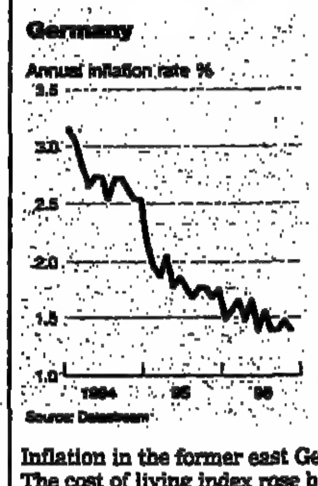
New Bremer Vulkan probe

The European Commission yesterday announced a further state aid probe at Bremer Vulkan, Germany's largest shipbuilding group. The latest investigation concerns DM300m ($192m) in loans granted to its former shipyards in east Germany. Brussels is already investigating some DM788m of public money diverted from the group's ailing east German yards to the mother company in west Germany.

The competition authorities in Brussels said they could not accept a German argument that the DM300m did not have to be notified in advance to Brussels on the grounds that it was a replacement for the missing aid. According to the Commission, the German authorities have asked permission for a new aid package worth almost DM1bn to rescue the two east German yards.

■ Brussels yesterday informed the Belgian authorities that it could not accept the status enjoyed in Flanders by VTM, the region's principal television station, which has a monopoly on television advertising. VT4, a competing channel, has been forced to broadcast from London to circumvent the advertising rules. *Emma Tucker, Brussels*

Inflation dips in Germany



Germany's annual inflation rate dipped to 1.4 per cent last month from 1.5 per cent in October, the federal statistics office said. The rate of increase has now hovered about 1.5 per cent since the summer, slightly lower than earlier in the year. The cost of living index fell by 0.1 per cent between October and November. The steepest price rises during the month were for food and drink, particularly fish and fresh vegetables, but a fall in energy costs helped offset these increases. Inflation in the former east Germany was slightly higher. The cost of living index rose by 0.1 per cent between October and November and the annual rate increased from 1.5 per cent to 1.6 per cent. *Ralph Atkins, Bonn*

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Companies' shift of production abroad shows no signs of abating

Germans flee high labour costs

By Ralph Atkins in Bonn

The exodus of German companies relocating production abroad shows no sign of abating in the next three years as the disadvantages of remaining at home – particularly high labour costs – continue to bite, according to a survey published today.

DIHT, the umbrella body for the country's chambers of industry and commerce, found 28 per cent of west German industrial companies plan to shift production abroad in the next three years. That compared with the 25 per cent that said they relocated production abroad in the past three years.

The results come amid signs of a significant setback in federal government attempts to cut Germany's labour costs. Research released yesterday by WSI, the Düsseldorf-based economics and social science institute, showed that unions representing 2m employees had struck deals in the past week which kept sick pay at 100 per cent of wages.

Sick pay has been preserved despite legal changes this year which permitted a cut to 80 per cent of wages. The move was significant because unions regarded 100 per cent sick pay as one of the movement's biggest post-war gains. But a landmark deal last week in the Lower Saxony electrical and metal industry preserving the 100 per cent figure – albeit partially compensated with other savings – is rapidly becoming a yardstick for agreements across Germany.

Meanwhile, domestic Lufthansa airline flights are threatened with warning strike action tomorrow after the breakdown of pay talks. The DAG union is proposing two-hour stoppages by flight crews and some ground staff which could affect a number of airports.

The DIHT survey, based on more than 6,000 responses, found labour costs cited by 62 per cent of industrial companies as the main reason for locating abroad. The next most important reason, cited by 21 per cent, was tax and other charges. Middle and east European states remained the most popular alternative location.

DIHT said the results demonstrated Germany's labour cost problem had not been under-estimated. "Where production is relocated, the higher productivity and better training of German workers are not covering wage costs and increasingly high additional wage costs."

Figures earlier this year from the Bundesbank showed investments abroad by German companies nearly doubled in 1995 to a record DM50bn ($32bn). The DIHT survey suggests the trend will remain upwards, with 38 per cent of west German industrial companies expected to increase foreign investment in 1997 against 17 per cent expecting a fall.

Bonn, Prague agree terms of reconciliation

By Frederick Stüdemann in Berlin and Vincent Boland in Prague

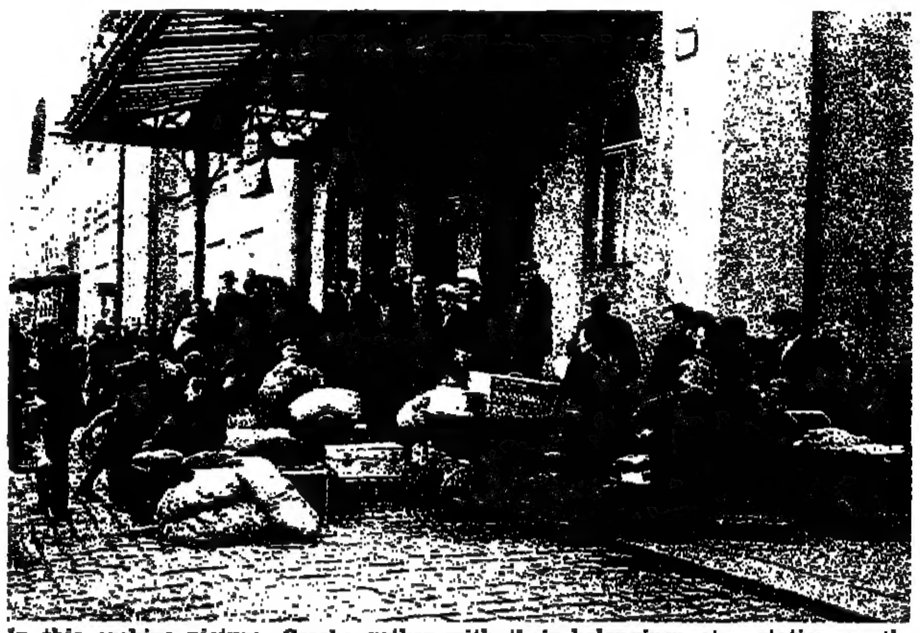
Germany and the Czech Republic have finally agreed a draft declaration of historical reconciliation in which both sides acknowledge crimes committed during and after the second world war, and Bonn for the first time strongly backs Prague's claims to membership of the European Union and Nato.

The declaration aims to close a traumatic chapter in German-Czech relations which began in 1938 when Hitler took advantage of Czechoslovakia's ethnic German minority in the heavily fortified Sudetenland border districts to begin his systematic destruction of the neighbouring republic and the rest of Europe.

In the declaration Germany apologises for the Nazi occupation of Czechoslovakia and acknowledges this created the climate in which 2.5m ethnic Germans were expelled from the Sudetenland immediately after the war and their property confiscated. The Czech side expresses remorse for the crimes committed during the expulsions, one of the biggest forced resettlements in Europe this century, during which many fleeing refugees were murdered.

The expulsion of ethnic Germans from Sudetenland and thousands of ethnic Hungarians from eastern Slovakia was authorised by the victorious Allies under the Potsdam agreement in 1945. They were supposed to take place in an "orderly and humane" way, but were neither.

Lingering anger at the "fifth column" role played by many ethnic Germans in 1938 followed by decades of Soviet-style "proletarian solidarity" with east Germany prevented public discussion of the expulsions until the "velvet revolution" of 1989. President Václav Havel was widely criticised when he apologised to a German audience in one of his first speeches as president.



In this archive picture, Czechs gather with their belongings at a station on the Czech-German border. They are waiting for a train so they can leave their homes in October 1938 after the Nazis annexed the Sudetenland Reuter

But the settlement of the great majority of embittered Sudeten refugees in Bavaria, where they form a vocal and powerful political pressure group within the Christian Social Union (CSU), made it equally difficult for the German government to find a mutually acceptable form of wording for the bilateral declaration. Agreement took nearly two years.

The Czech expression of remorse in the declaration is stronger than many Czechs expected and was a trade-off for explicit German support for Prague's drive to join western institutions, analysts said. To date Bonn has held back on giving the Czech Republic the clear endorsement it gave Poland, which moved much more quickly to reach its own reconciliation with Germany.

Czech reaction to the draft was muted yesterday, with political leaders insisting it was fair to both sides. But it was attacked by Sudeten leaders in Germany for not making provision for a possible return to their former properties and because the expression of regret was not explicit enough.

The draft declaration, which also provides for creation of a DM165m ($106m) fund for social and cultural initiatives, is due to be initialled on December 20 by foreign ministers before being formally signed by Chancellor Helmut Kohl and Prime Minister Vaclav Klaus in Prague next month. It will then require approval by both parliaments.

EU struggles to get defence act together

Bernard Gray on Europe's continuing failure to merge its arms industries

The contrast is dramatic and embarrassing. While executives in the US defence industry trade companies like cocoa futures in an unprecedented wave of consolidation, their European counterparts can barely cobble together a single deal.

In the US, Boeing's acquisition of $3bn-worth of Rockwell's defence business causes barely a ripple, while General Motors confidently expects to be able to auction its Hughes missiles and radar operations for $8bn-$10bn in the next few months. In Europe, it has taken British Aerospace and Matra more than three years to negotiate a missiles joint venture with a turnover of around $1.5bn.

This painfully slow progress was set back still further by the collapse last week of French attempts to privatise the Thomson-CSF defence electronics group. If European governments cannot even get their defence companies into the private sector, say despairing executives, what hope is there for cross-border mergers and acquisitions?

The problem has been exacerbated because, as defence budgets are cut, international collaborative programmes, which offer a basis for companies to work together across borders, are often the first to go. France, for example, threatened to cut back on two Franco-German helicopter programmes and European military transport aircraft in its budget last spring. Germany threatened to retaliate by pulling out of a Franco-German spy satellite programme.

While the helicopters and satellite were reinstated at Monday's Franco-German summit, the Future Large Aircraft transporter still has no funding.

Efforts to overcome this splintering are focused on two main poles: aircraft manufacturing and defence electronics.

In rationalising aircraft production capacity, two principal avenues are being explored. The first could bring together BAe and Daimler-Benz Aerospace, which both have a share of work on Airbus civil airliners and are the lead contractors for the £40bn ($66bn) Eurofighter. Merging the two could cut duplication, and it would be possible to include an Aérospatiale-Dassault grouping, once the French company had been rationalised and privatised.

Unfortunately, Daimler-Benz seems reluctant to supply the cash needed to rationalise its aerospace subsidiary. BAe is concerned that once Daimler's defence side is no longer seen as "German" the Bonn government will rapidly reduce its commitment to the expensive Eurofighter programme.

The alternative is to try to bind the companies' civil aerospace interests more tightly in Airbus, forming a vehicle which could eventually accommodate military aerospace. Airbus is moving towards being an incorporated company, rather than a loose alliance, but it says that this process will take at least two years to complete. Meanwhile, Airbus is trying to expand its military business with the Future Large Aircraft, the very programme which has just had its funding cut.

In the case of of electronics sub-systems makers, the two most important companies are Thomson-CSF and GEC-Marconi, the defence subsidiary of GEC of the UK. Both have many common operations in areas such as airborne radar, missiles, sonar and avionics. As with BAE and Daimler, merging would cut considerable duplication.

Lord Weinstock, GEC's long-serving managing director who retired in September, believed in a merger, but the French government decided to sell Thomson to the Lagardère missiles-to-magazines conglomerate instead.

The financial structure proposed by Lagardère would not have allowed a full merger with GEC, however. While the privatisation of Thomson is once again in flux, a full merger with GEC seems unlikely.

In the absence of concerted efforts by industrialists and politicians, the routes to cross-border deals seem very difficult. As a result, industry executives, desperate for some sort of action, are beginning to consider easier mergers into national groupings.

These would not offer the same rationalisation benefits but would cut some costs. Daimler-Benz Aerospace already incorporates much of the German defence electronics as well as aircraft industry. France might end up with Thomson-CSF, Dassault and Aérospatiale in one group, and Britain might see the much-touted but elusive merger of BAe and GEC's defence interests.

Some executives argue that if Europe is likely to end up with a single aerospace company incorporating aircraft, missiles and electronics, then, as a first step, national rationalisation of aircraft makers and electronics companies is as valid as the international mergers into one aircraft maker and one electronics company.

Yet such national groups risk becoming national champions, raising competition worries. Governments may also retreat from international collaboration where they feel their champions may lose out. Unless there is a breakthrough on international rationalisation soon, companies could retreat into national laagers from which it will be impossible to challenge the US giants. Last week's developments in France are not an encouraging sign.

Nato steps up pressure on Milosevic

By Laura Silber in Belgrade and Bruce Clark in Brussels

Nato foreign ministers yesterday deplored the authoritarian behaviour of the Serbian government and called for greater efforts to bring war criminals in Bosnia to justice.

The ministers called on President Slobodan Milosevic to recognise the opposition's municipal election victory last month and to avoid using force against demonstrators.

Their call came as tens of thousands of people yesterday turned out for the 22nd day of protest against the cancellation of elections. Yugoslavia's federal court also rejected an appeal from the Belgrade electoral commission to overturn an earlier court ruling, apparently exhausting legal avenues to restore opposition victories in the November 17 poll.

Western diplomats were not surprised by the court decision. "Milosevic seems to be waiting for a critical mass, to see if the demonstrations and the western pressure continue. If so, he can still find a legal way out," said one

Appeals are still pending with the prosecutors of Serbia and Serb-led Yugoslavia, which could return the decision to the courts.

Opposition deputies to federal parliament yesterday boycotted its first session, since Mr Milosevic's ruling Socialists and the communist partners of his wife captured a majority in a first round of polling on November 8.

The opposition coalition Zajedno (Together) won municipal elections, which were later annulled, but lost the poll for the federal assembly.

Nato ministers also called yesterday for an intensified effort to bring war criminals to justice, but it seemed very unlikely the alliance's cautious rules of engagement in Bosnia would change.

Canada proposed that Nato alter its posture to restrict the movement of indicted persons such as Mr Radovan Karadzic and ultimately apprehend them. However, most other countries focused instead on boosting the resources of the international war crimes tribunal in The Hague.

Under current rules, Nato forces are supposed to arrest any war crimes suspects that they "come across", but are explicitly forbidden to seek out or lay traps for wanted men.

Subsidy cuts inflame Greek protest

Athens' refusal to help the farmers has prompted tough measures, says **Kerin Hope**

A truck driver trapped by the farmers' barricades yesterday on the road from Athens to northern Greece takes a wash beside his cab Reuter

Mr George Katis, a cotton grower in central Greece, interrupts his breakfast of cold lamb and wine to direct a Romanian bus through a tractor barricade blocking the road to Athens. "If we don't stand up and complain," he says, "the government will go on ignoring the farmers' problems and we'll drown in debt."

Cotton growers have led the two-week blockade of almost 100 road junctions around Greece which has halted domestic transport,

> 'The underlying problem is lack of any strategy for agriculture beyond higher output'

stranded several thousand international trucks and left Greek manufacturers facing shortages of fuel and raw materials.

With the cotton harvest over, farmers had time to vent their frustrations over lower cotton prices, lack of government support and the prospect of reduced EU subsidies for this year's crop. "In the past three years," Mr Katis says, "producer prices for cotton have dropped by over 30 per cent, but production costs have doubled."

The speed with which tobacco, fruit and dairy producers joined the protest underlined a rising tide of resentment among farmers. One in five Greek workers is a full-time farmer and agriculture accounts for almost 15 per cent of Greece's gross domestic product. But cuts in EU subsidies and the loss of tax immunity are shrinking earnings.

The government refuses to discuss farmers' demands for the reinstatement of tax breaks on fuel and purchases of farm machinery and the write-off of some $1.3bn in debts to the state-owned Agricultural Bank.

Mr Costas Simitis, the prime minister, said yesterday: "If we satisfy requests for billions of drachmas, we will fall short of the targets set for Greece to play its part in European monetary union."

The stand-off appears set to continue as the Socialists are reluctant to send in riot police to force the farmers off the roads. There is little popular sympathy for the farmers, who are seen as having grown rich from EU transfers.

These transfers currently account for more than 6 per cent of Greece's GDP – two-thirds goes to farmers as support payments for crops. But subsidies are shrinking and farmers are aware leaner years are ahead.

Mr Argyris Sapras, who grows cotton and vegetables on the fertile Kopaida plain, says: "We caught up with other sectors of the economy in the 1980s but the last few years have been tougher. Young people are leaving the land for services jobs at a much faster rate."

Greece's tobacco farmers fear EU subsidies will soon be cut to the point where they can no longer make a living out of growing poor-quality tobacco varieties on marginal land.

Fruit growers have seen exports shrink because of the high cost of shipping produce to EU markets through Italy after the war in Bosnia closed the overland route. More than half of Greece's peach crop and a quarter of the citrus crop is destroyed every year because the fruit cannot be sold abroad and processing facilities are limited.

Dairy and livestock producers say cheap imports from Bulgaria and Albania have driven down prices for meat and cheese. Greece is still not self-sufficient in milk, but efforts to win permission from Brussels to increase the milk quota have met with only partial success.

With an average size of only four hectares, many Greek farms are too small to be profitable. Investment in agriculture is falling as farmers no longer have subsidised loans for land and farm machinery.

"The underlying problem is the lack of any strategy for agriculture beyond increasing output," says Mr George Zanias, who teaches agricultural economics at Athens Business University. "No wonder Greek farmers feel insecure about the future."

Aznar faces strike challenge

By David White in Madrid

The centre-right Spanish government of Mr José María Aznar faces the first serious challenge of its seven months in office today when public sector employees stage a one-day strike against a planned freeze in their 1997 pay.

A total of 1.5m employees – civil servants, teachers, nurses, postal workers, firefighters and garbage collectors – are being called by the unions to join the movement. Airports, state broadcasting channels and funeral services will also be hit.

Airlines themselves, including the state-owed Iberia and its sister company Aviaco, will not be directly affected, and buses and trains are due to run normally. However, state rail employees are being called out on one-day strikes on December 16 and 20 in protest at reorganisation plans.

Today's strike follows large demonstrations in Madrid and Barcelona against the pay freeze, through which the government aims to save up to Pta200bn ($1.53bn) next year. This is a significant contribution to its hopes of meeting budget deficit criteria for the European single currency.

The unions claim that if the freeze goes ahead public sector wages will have fallen 11 per cent in real terms since 1990.

However, Mr Mariano Rajoy, public administration minister, said yesterday there was no prospect of the government budging.

Further clashes now loom following a threat by Mr Aznar to go ahead with legislation to change Spain's labour rules if unions and employers fail to reach agreement early next year.

Unions meanwhile voiced concern about figures yesterday showing a rise of 16,000 in registered job-seekers to 2.25m in November, or 14.04 per cent of the workforce.

Scalfaro intervention brings judicial reform pledge

By John Simkins in Milan

The speakers of both of Italy's houses of parliament pledged yesterday to press ahead with reform of the judicial system after President Oscar Luigi Scalfaro intervened in the growing debate over the role of the country's investigating magistrates.

Mr Scalfaro had summoned the speakers to discuss "serious issues" concerning the rights of the individual and the autonomy of magistrates in his capacity as head of the magistrates' body, the CSM.

The latest move came amid widespread concern about the leak to the Corriere della Sera newspaper of a report by the Gico branch of the financial police on associates of Mr Antonio Di Pietro, the former anti-corruption magistrate. The report is thought to have led to dozens of raids on homes and offices last week by financial police, acting on the orders of Brescia magistrates who are investigating methods used by Mr Di Pietro and other members of the "clean hands" pool of Milan magistrates.

Magistrates have been attacked for taking too prominent a position in public life since the *Tangentopoli*, or "bribesville", scandals – which have involved 2,000 suspects – started four years ago. There has been concern about the widespread use of preventive detention and media leaks.

In the fight against corruption Mr Scalfaro and the speakers stressed the need to ensure that both magistrates and police respected professional and territorial limits on their authority.

The latest wave of inquiries has raised fears of vendettas between law-enforcing bodies, particularly between the Guardia di Finanza, or financial police, and Milan magistrates, who imprisoned two Guardia generals and almost 50 senior officials.

Mr Scalfaro has intervened on previous occasions in the running of the judicial system. His latest move came as several leading politicians dismissed the idea of a *Tangentopoli* amnesty, including Mr Massimo D'Alema, leader of the Party of the Democratic Left. Mr Scalfero indicated yesterday he was also opposed to "solutions which wipe the slate clean".

The scandals are likely to continue to push themselves into the public arena; a parliamentary commission has begun to study the so-called Achilles dossier compiled on the "clean hands" operation by secret service agents.

Mr Giovanni Maria Flick, justice minister, has already put draft laws before parliament on overhauling the judicial system.

The meeting at the presidential palace emphasised the urgency of reforms to tackle the backlog of cases in the civil courts, which can take 10 years to resolve. Mr Flick aims to reorganise the distribution of Italy's 8,000 magistrates, as part of the assault on delays in trials, and to distinguish between the functions of magistrates acting as judges and those acting as state prosecutors.

Ukraine pressed to buy Airbuses

By Matthew Kaminski in Kiev

European leaders have stepped up lobbying on behalf of Airbus for the first western aircraft leasing order from Air Ukraine, which is expected next week.

The intervention comes amid growing concern that the Ukrainian government will plump for Boeing of the US. The transport ministry last month reopened negotiations with both manufacturers only days after the government announced it would acquire up to eight Airbus aircraft under a low-interest financing arrangement.

The deal fell apart when Mr Leonid Kuchma, the Ukrainian president, dismissed the president of Air Ukraine and a deputy transport minister who had been involved in the discussions. The four countries in the Airbus consortia – Germany, France, Spain and the UK – were concerned that Kiev might be citing security considerations in stepping back from its commitment to Airbus.

Mr Helmut Kohl, the German chancellor, has raised the Airbus sale with Mr Kuchma, according to western diplomats, and officials from the four European countries are to continue their lobbying efforts this week.

Mr Jacques Santer, president of the European Commission, this week was expected to urge the Ukrainian president in a letter that only commercial considerations should be applied.

A Boeing spokesman, who would not comment on Air Ukraine's previous statements, only said "that our proposal is significantly less expensive" and the Boeing 767 "jumbo jet" for long-range hauls met the airline's needs better.

Air Ukraine wants to lease two long-range aircraft for existing routes to New York, Chicago and Toronto, and possibly two new destinations, Miami and Los Angeles.

WTO close to IT deal

By Guy de Jonquières and Frances Williams in Singapore

WORLD TRADE ORGANISATION SINGAPORE December 1996

The US and the European Union appeared last night to be close to a deal on a global agreement for free trade in information technology (IT) products.

After a day of intensive negotiations, Sir Leon Brittan, Europe's trade commissioner, presented the outlines of what he expected to be a final accord to eliminate tariffs on IT imports by 2000.

Sir Leon said he had whittled down the number of products which the US wanted to exclude from a tariff-cutting deal, while the EU had offered to include recorded music on CD-Roms among its tariff cuts.

He also won an agreement in principle from Washington to support EU demands that European semiconductor producers be allowed to join an industry co-operation body established by US and Japanese semiconductor companies, with the blessing of their respective governments.

The US has been seeking to exclude from an IT accord optical fibres, television monitors, capacitors and photocopiers. Trade officials said Washington had agreed, under EU pressure, on a compromise plan whereby tariffs on selected products in these categories would be eliminated.

Although the two sides have still to finalise the details of their agreement, they were last night separately canvassing support for it among other countries, chiefly in Asia.

Japan and Canada are already prepared to back an IT agreement. But the US and EU have insisted that other countries must sign up if a deal is to be clinched at this week's ministerial meeting of the World Trade Organisation in Singapore.

Meanwhile, a switch in position by some leading developing countries has raised hopes of an agreement for the WTO to begin work on the link between investment and trade. Countries including Malaysia, Indonesia and Egypt dropped their objections to this plan and to a US proposal for an agreement on openness in government procurement.

But a small group, including India and Pakistan, still want to confine any study on investment to the WTO's Geneva neighbour, the United Nations Conference on Trade and Development.

There was some movement on the thorny issue of trade and worker rights, with Malaysia, hitherto a staunch opponent of linking the two, saying it could accept a ministerial statement of support for core labour standards. But a number of developing countries reasserted their opposition.

A proposal by Mr Renato Ruggiero, WTO director-general, to ease the plight of the world's poorest countries by getting other members to eliminate tariffs on imports from them was rejected.

'I'm looking for a compromise.' That's what one EU delegate said yesterday, peering through binoculars at the proceedings of the heads of delegation meeting Associated Press

End in sight to China's long wait

Guy de Jonquières finds Beijing's chief negotiator is hopeful of progress at last

Mr Long Yongtu, China's chief negotiator on its bid to join the World Trade Organisation, has learned to play a waiting game. Since the talks began 10 years ago, they have advanced at a snail's pace.

Yesterday, however, Mr Long was cautiously hopeful of real progress at last. The reason, he says, is a clear shift in the attitude of the US, which China has long accused of being the main obstacle to its WTO application.

Mr Long sees two reasons for the change. One is the recent political thaw between Washington and Beijing. "Although US negotiators always try to emphasise that China should enter the WTO on a commercially sound basis, the most important thing is whether there is a good US-China relationship."

Washington has also concluded it is in its own economic interest to have China in the WTO, he says: "They have discovered they are no longer in the cold war. They know they can no longer deal with China single-handed. If the US wants to take trade sanctions against China, all the allies will not follow. Sanctions could only be effective if everybody follows. So the situation has completely changed."

Pressure for China's WTO entry from US business leaders has played an important part. Mr Long detects growing support among members of the US Congress, some of whom he met yesterday on the sidelines of the WTO ministerial meeting.

Mr Long believes both China and the US are ready to negotiate in a more pragmatic and business-like way. "The bottom line is that both sides should say this is rational, this is realistic or true to the Chinese reality. Both sides should agree that China's accession is a win-win situation."

The US has already promised to deal more flexibly with China's demands for transition periods to allow its economy to adjust after WTO entry. Mr Long believes Washington's stance is now close to that of Sir Leon Brittan, the EU trade commissioner, who recently suggested China be allowed to align itself with WTO commitments according to an agreed timetable.

In return, Beijing has dropped its demand for blanket developing country status in the WTO and is seeking to negotiate transition periods only for sectors where they are genuinely needed. "We are not rigid. We are trying to take a very practical attitude in areas we can deal with immediately. In areas where we still have some difficulties, we shall need some time."

Mr Long says Beijing plans an improved negotiating offer in February, when talks on its WTO bid resume. Although its contents are still being decided, he says, China might ask to keep non-tariff barriers, such as quotas and import licensing regimes, for less than the maximum 15 years it has so far demanded.

Beijing might also consider opening its banking and financial services sector further to foreign competition. However, Mr Long sees little scope for improving on existing plans to lower tariffs to an average 15 per cent by the year 2000.

He is also adamant that Beijing will not be pushed into hasty reform of its state-owned enterprises. "You can't expect this kind of situation to change overnight... We cannot sacrifice millions of people's jobs to get into the WTO."

He says US readiness to grant China transition periods in the WTO shows Washington recognises the scale of the problem. "If you do not handle this reform issue properly, it could be disastrous, not only for China, but for the world, because China's economy is so much connected with the world economy.

"This interdependence is a good thing. But when you handle China's [WTO] accession, you should also understand that it might backfire, it might be detrimental to your own interests."

Partly for that reason, China remains committed to a step-by-step approach. "There should be no hurry to mention two months or one year ahead. We just go on.

"As the Chinese say, when the canal is there, the water will come. Now we are digging the canals."

Editorial comment, Page 13

WORLD TRADE NEWS DIGEST

Adtranz plans China venture

Adtranz, the railway systems company jointly owned by Daimler Benz of Germany and ABB of Switzerland, said yesterday it was setting up a joint venture with the Changchun Car Company of China to make about 160 rail carriages a year. The venture, Changchun Adtranz Railway, will be based in Changchun, 1,000km north of Beijing, and employ around 800 people. Adtranz, which will own 51 per cent of the venture, has contracts to deliver 120 carriages for the metro system in the city of Guangzhou and 210 carriages for the Shanghai metro.

Changchun, owned by the Chinese ministry of railways, is the largest carriage and mass transit vehicle maker in China. *Frederick Stüdemann, Berlin*

$100m Indian car parts plan

Hyundai, the Korean vehicle manufacturer, said yesterday its Indian subsidiary planned to invest up to Rs3.7bn ($103m) in 10 joint ventures in the country to manufacture components for its Accent model, which it aims to launch in India within two years. Mr Yang Sou Kim, managing director of Hyundai's wholly owned Indian subsidiary, made the announcement at a ground-breaking ceremony for the Korean group's $700m greenfield car plant near Madras. The plant is expected to start production in October 1998 with an initial capacity of 100,000 vehicles, making it one of the biggest new foreign car ventures in India.

The additional joint ventures will supply tyres and engine, transmission and electrical components to fulfil the company's commitment to indigenise production of the Accent. Hyundai said it saw possible further investment of up to $400m to double the capacity of the Madras plant. Ford, the US motor group, is also planning to build a 100,000-car capacity plant in the southern state of Tamil Nadu to produce the Fiesta model in a joint venture with Mahindra & Mahindra, the Indian utility and commercial vehicle maker. *Mark Nicholson, New Delhi*

Vietnamese in $20m shoe deal

Reebok, the US footwear manufacturer, has signed a $19.8m, one-year contract with a Vietnamese company to produce 1.8m pairs of sports shoes, an official at the Ho Chi Minh City-based company said yesterday. Hiep Hung Co will start production from January and the shoes will be exported to Europe and the US. The company currently exports 600,000 pairs of Reebok and Italian Fila brand shoes a year. Vietnam has emerged as one of Asia's largest exporters of footwear, with growth led by exports to the EU. In 1995 it exported 80m pairs, up from 750,000 pairs in 1990. Much of this growth has been fuelled by foreign companies supplying raw materials and sub-contracting assembly work to Vietnamese companies. *Jeremy Grant, Hanoi*

Amec to share in HK toll road

UK construction company Amec is to take fifth share in a toll road joint venture established to manage and operate the 17km Tsing Ma expressway linking the new Hong Kong airport at Chek Lap Kok to the mainland. The value of the contract is thought to be worth HK$1bn (US$130m) over four years. Amec has a 20 per cent share in Tsing Ma Management in which the biggest shareholder is Sun Hung Kai Properties of Hong Kong. China Resources and Mack & Co Tunnel Management each own 20 per cent. *Andrew Taylor, Construction Correspondent*

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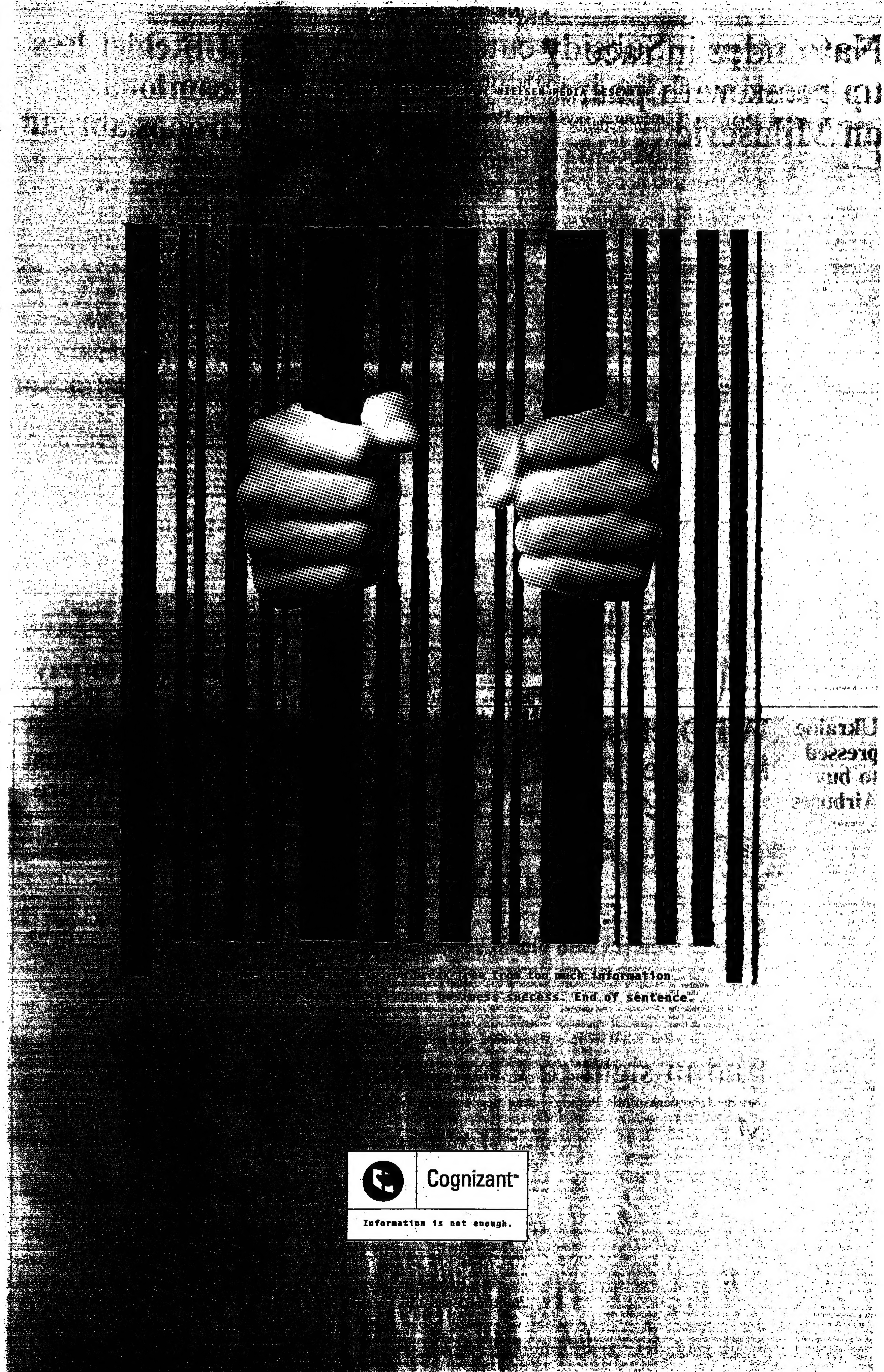

NEWS: THE AMERICAS

Fernández in race to break with past

Canute James on a 'new' Dominican Republic

For years Mr Joaquín Balaguer, the Dominican Republic's former president, paid only lip service to privatisation, constantly indicating that he considered what he called the "national patrimony" to be sacrosanct.

Now Mr Leonel Fernández, who replaced Mr Balaguer in August, has put to Congress proposals to privatise almost all state companies, including the heavily indebted sugar company and an inefficient power utility.

"This... marks a significant change from the policy, attitude and outlook of the previous administration," said Mr Eduardo Selman, technical minister to the presidency. "The government has been losing money and we need the money for improving education, health and social security."

Most of the state companies were the property of the Trujillo dictatorship which ran the Caribbean nation for 30 years until the 1960s. Mr Balaguer, who was in charge of the country for most of the next 30 years, rejected repeated suggestions from foreign institutions and local business that privatisation could help make the enterprises profitable, improve efficiency and end corruption and patronage.

The Dominican Corporation of State Enterprises is the holding company for 25 concerns (12 have been closed) that are costing the government $310m a year in subsidies. The power company, which has been generating about half its capacity, needs $190m from the government, and owes private suppliers $80m. The subsidy to the sugar company averages 14 US cents for each pound it produces, leading local economists to suggest it would be cheaper to import the commodity.

Local business backs Mr Fernández's plans, which it sees also as an attack on endemic corruption. "We have stood still for 30 years, and this represents a start for the country," said Mr Fernando González Nicolas, president of the Caribbean Commercial Consortium which promotes trade between the Dominican Republic and the rest of the Caribbean. "A lot of time has been lost, and this country now has to catch up with the rest of the world."

Opposition is likely from traditional and influential quarters. The president's centrist Liberation party has 13 of 120 deputies and one of 30 senators, none of whom showed much enthusiasm for earlier proposals to ease the state's control of the power company.

"The make-up of the Congress could be a problem for the president's proposals," said Mr Bernardo Vega, a former governor of the central bank, though government officials contend it is not insurmountable.

Meanwhile, there is unease over another controversial move by the president. He has increased by 20-fold the salaries of more than 200 government officials, including his own. He is now paid $6,500 per month. The concern is less about whether the increases are deserving, and more about the demand from government employees that they too must get more. The move has led to suggestions that minimum wages must be increased, and workers in the private sector are expected to ask for more.

This would create two problems for the new government. It would have to finance these wage increases while reducing government expenditure. A bloated and inefficient bureaucracy, used in the past for dispensing patronage, must be cut even before wages are increased, argue some economists.

The likely wage increases also promise to harm some recent gains in the economy. Inflation between January and October was 2.1 per cent, against 7.9 per cent for the first 10 months of last year. "This indicates that the economy is settling down," said Mr Hector Guiliani Cury, technical director of the central bank. "The economy will expand by 7 per cent in its gross domestic product this year, just over twice the rate of last year."

Mr Fernández has already taken some steps to fulfil his promise to "modernise" a country which one of his senior ministers said had "removed itself from the world for 60 years". He has already significantly improved traditionally strained relations with neighbouring Haiti, is negotiating a free trade agreement with the Caribbean Community and said the Dominican Republic would be active in Latin American affairs. Mr Fernández has also visited Brussels and Washington.

As one of the country's leading bankers said: "This is a president in a hurry to convince the country that it has taken a quantum leap into the present, catching up with the modern world and leaving behind its constricting past."

Fernández: in charge of a country which 'removed itself from the world for 60 years'

US chief less cautious on troops abroad

By Jurek Martin in Washington

General John Shalikashvili yesterday laid out parameters for the deployment of US troops overseas that seem markedly different from the more cautious approach of Gen Colin Powell, his predecessor as chairman of the joint chiefs of staff.

Yesterday he stressed the US would "pay any price" when its vital interests were clearly at risk.

But whereas Gen Powell was responding to the realities of the "bipolar" cold war, he went on, "in today's world we need to consider the use of military forces when America's other important interests are threatened".

These could include economic and humanitarian considerations, he added. Broader US engagement would have to be "selective" so as to avoid the risk of "exhaustion, militarily and psychologically" but the US should be "sure to protect an environment that is most helpful to our aims."

Gen Shalikashvili did not rule out Nato intervention, with full US participation, to alleviate humanitarian disasters in "out of area" countries such as Rwanda. He said he had discussed this possibility with Mr Boutros Boutros-Ghali, the United Nations secretary-general.

"When I was at SACEUR [Nato's European command], the out-of-area debate was a hot issue, but who now thinks it's a hot issue?" he asked rhetorically. It was entirely logical for Nato to contemplate a command and control role in distant humanitarian operations.

Gen Shalikashvili also had little doubt that if SFOR, the smaller successor to the Nato IFOR detachment in Bosnia, needed reinforcement, then it would be so ordered by the alliance's political leadership.

But governments also had to ensure that their respective publics understood the risks of military operations overseas. He cited Somalia in 1993 as the classic example of a nation taken by "surprise" when the US mission went wrong, with adverse domestic political consequences on foreign policy.

His general approach was much in line with the thinking of Mrs Madeleine Albright, nominated last week by President Bill Clinton as the next secretary of state. Their common backgrounds as refugees from eastern Europe was a factor, he acknowledged, and he expressed appreciation for her strong support for the US military.

But Gen Shalikashvili also placed limits on what the US military could do. He did not think it should conduct the sort of "police" work more appropriate to combat international narcotics and organised crime, as proposed by Mr Bob Dole, the losing Republican candidate in last month's presidential election.

He was also "strongly opposed" to the creation of a US contingent force specially trained in peacekeeping.

"The best peacekeeping force," he said, "is made up of the most competent soldiers" able to handle any military eventuality. "If you do it the other way round," the risks to US lives could be unacceptably high.

AMERICAN NEWS DIGEST

Digital to pay $6m for RSI

Digital Equipment, the US computer manufacturer, has been ordered to pay almost $6m to three women who suffered arm and wrist injuries while using Digital keyboards. The verdict, by a US District Court jury in Brooklyn, is believed to be the first of its kind against a keyboard manufacturer.

One of the plaintiff's lawyers said it was the largest US award for carpal tunnel syndrome, one of the most serious forms of repetitive stress injury (RSI). Thousands of similar suits have been filed against IBM, Apple, AT&T and other computer companies, but in previous cases which have come to court juries have found in favour of the companies.

In the Digital case, the jury found no evidence that the keyboards had defective designs but ruled that users should have been warned of the dangers of excessive keyboard work. The largest award – more than $5m – went to Ms Patricia Geressy, a former employee of the Port Authority of New York and New Jersey and the most severely injured of the three plaintiffs.

Digital said that it "prides itself on providing information to customers and employees about the comfort and safe use of its products." It said it would seek to have the verdicts set aside by the trial court and if necessary would appeal. *Tracy Corrigan, New York*

New team for Miami crisis

Florida has appointed a team of five to oversee Miami's budget after declaring a state of emergency in the city's finances last week.

Mr Lawton Chiles, the governor, appointed Lt Gov Kenneth "Buddy" MacKay and four Miami business and government officials to help deal with a city on the verge of bankruptcy. Mr MacKay said the panel's role would be advisory and that city commissioners would still have to come up with their own solution to deal with the $68m budget deficit.

Mr Chiles said that declaring bankruptcy was not a viable option. Mayor Joe Carollo of Miami said he would unveil proposals tomorrow for narrowing the budget gap without raising property taxes or doubling garbage fees. He said that would require $50m to $60m in new, recurring revenues. *Reuter, Miami*

See Observer, Page 13

US drugs chief in Mexico

Gen Barry McCaffrey, director of the US Office of National Drug Control Policy, was in Mexico yesterday to meet Mr Jorge Madrazo, the country's seventh attorney-general in as many years. He was also due to meet Gen Jesús Gutiérrez Rebollo, Mexico's new anti-narcotics chief, the latest in a series of military officers who have taken prominent posts in President Ernesto Zedillo's administration.

US and European diplomats were dismayed at the summary dismissal last week of Mr Antonio Lozano, the former attorney-general. "Two years of patient contact building have been wasted," one diplomat said.

The general had warm words for Mr Lozano, who drafted the first law against money laundering in Mexico. "Mr Lozano took tremendous, courageous action against drug corruption in the country," the general said, saying he was looking forward to getting to know Mr Madrazo. *Leslie Crawford, Mexico City*

Cali drug cartel undefeated

The leaders of the Cali drug cartel are still running the world's largest drug syndicate, even as they await sentencing in a Bogota jail, according to Colombia's police chief.

Police raided the maximum-security La Picota prison on Sunday, and found documents with cartel leaders' plans to bribe congressmen and instructions on how cocaine-laden aircraft could evade radar. US officials said previously cartel leaders, arrested in a crackdown that began last year, were trafficking from jail. *AP, Bogota*

Exporters hope deal signed in Baghdad yesterday will reopen the door to a lucrative market

Turkey signs contract to buy Iraqi oil

By John Barham in Ankara

Turkey is to import 75,000 barrels of oil a day from Iraq under a deal – the first with Iraq in six years – signed in Baghdad yesterday.

Turkish officials hope that the agreement will help cement strong commercial ties, which were broken by Iraq's invasion of Kuwait in 1990. State-owned oil refiner Tupras said it had signed an agreement with Iraqi state oil marketing body Somo, but did not disclose the price.

United Nations clearance on Monday for $2bn of Iraqi oil exports over six months paved the way for the deal with Turkey, one of the countries outside Iraq hit hardest by UN sanctions imposed on Baghdad after it invaded Kuwait.

Before sanctions, Iraq was Turkey's third largest trade partner and its largest oil supplier, selling crude through a pipeline from its Kirkuk oilfields to Turkey's southern Ceyhan terminal.

Mr Necmettin Erbakan, Turkey's Islamist prime minister, said "our relationship [with Iraq] has suffered because of this embargo. It has cost Turkey about $30bn".

President Saddam Hussein of Iraq yesterday pressed a button to start sending oil through a pipeline to the Ceyhan terminal.

Turkish exporters hope Iraq will once again blossom into a lucrative market, but many say that they would be happy with just a small slice of a bitterly competitive market.

Mr Latif Kesler, export manager at Fako, an Istanbul-based generic drugs company, said Iraq would only have about $220m to spend on drugs in the next six months, but competition was intense. Mr Kesler said countries such as India or Bulgaria were able to deliver products to Baghdad at prices Turkish companies could barely match.

"The problem is that Iraq is so in need that I am afraid that they might give up on the requirement for quality and go for lower prices and greater quantities," he said.

"I have seen prices in Baghdad which I have difficulty competing against."

Mr Ismail Oncel, general director at Istanbul's Biofarma pharmaceutical company, who participated in a trade fair in Baghdad over the summer, said: "Doctors and pharmacists attacked our stand. We could not stop them and on the first day 70 per cent of our samples were finished."

Nevertheless, Turkish exporters have not given up. Soapmaker Dalan Kimya hopes to sell between $2.8m and $3m in Iraq. Biofarma is aiming for $1.5m, 7-8 per cent of total sales.

At least one company, exhibition organisers Forum Fuarcilik, has already carved out a niche for itself in Baghdad. It organised two trade fairs in Baghdad this year and has a third lined up in February for Turkish exporters.

They are hoping Ankara will gain some commercial leverage over Baghdad because Iraq must export oil via Turkey's Mediterranean terminal at Ceyhan. Mr Kesler said if Turkey had contracted to buy all Iraq's oil "we would be able to impose our [conditions], but unfortunately all the oil has not been allocated to Turkey."

Turks also hoped proximity would give them an important advantage. However, exporters complain that Kurdish militias which control northern Iraq impose punitive customs dues on cargoes going by road to Baghdad. They also fear for the safety of their trucks.

However, exporters hope an arrangement will be hammered out soon, because the Kurds have a personal interest in the trade since the UN will distribute food and drugs in northern Iraq.

Corruption and influence peddling in Baghdad is also a problem. One exporter commented: "In Turkey we have a saying that a hungry man cannot afford integrity."

● Crude oil prices slipped in late trading yesterday – not so much on the news of Iraqi oil, but in response to figures which showed higher stock levels for the European Union, writes Deborah Hargreaves.

North Sea Brent crude for January delivery was down 46 cents at $23.64 a barrel, off the session low of $23.58 a barrel. Prices for products such as gas oil and heating oil slid as the EU reported a large build in distillate stocks.

Commodities, Page 24

UN sets up special account for oil-for-food transactions

Money from oil sales will only be released after border checks

By David Owen in Paris

The UN oil-for-food operation will be handled through an account at the New York branch of the Banque Nationale de Paris.

The account will be credited with the proceeds from Iraq's oil sales. The bank will issue letters of credit for the export of food, medical supplies and other approved items, such as parts for water treatment plants.

When Iraq applies to open a given letter of credit, the appropriate sum will be set aside in the account. These funds will only be unblocked when UN inspectors on the Iraqi border verify that the goods they have inspected correspond with the contract.

The UN has also contracted Lloyd's Register, a technical inspection and certification body headquartered in London, to check that goods arrive at the stipulated destinations inside Iraq.

While there are three permissible points of entry, observers expect most goods to enter Iraq via Jordan.

At the Iraqi border, goods will be handed to UN inspectors, probably on the Jordanian side. They will have 24 hours to inspect the cargo to check that it complies with their documentation. Exporters will not be paid until the goods are inspected at their entry point into Iraq.

The document detailing which goods are acceptable – the distribution plan – is the size of a weighty telephone directory.

Resolution 986 stipulates that, of the $2bn, $700m must go to war reparations while $1.3bn is available for food and medicine. About 80 per cent of this will be for food, mainly wheat, sugar, salt, lentils and tea.

Eight steps on the export road to Iraq

A company wishing to export goods to Iraq will have to do the following:

- Reach agreement with relevant Iraqi authority
- Secure certificate from national authorities in its own country confirming the goods and proposed delivery plan correspond with the contract
- The national authorities present this certificate to the UN in New York
- The UN approves the certificate and notifies BNP New York
- The Iraqi authorities are informed of what has happened
- At a time of their choosing, the Iraqi authorities send an application to open a letter of credit in respect of the transaction to BNP New York
- BNP informs the UN that the application has been received and asks if it can issue the letter
- The UN gives approval. The letter is issued and confirmed by BNP New York in favour of the exporting company's bank, clearing the way for the company to ship the goods

Saddam Hussein speaks to reporters after pressing a button to start oil flowing from Kirkuk pumping station Reuter

INTERNATIONAL NEWS DIGEST

Israelis light homes fuse

An Israeli planning committee yesterday approved plans to build a Jewish neighbourhood in an Arab section of East Jerusalem, a decision which could set Israelis and Palestinians on a collision course.

The plan to build 132 homes for Jews in the heart of Ras el-Amud, where 11,000 Palestinians live, still requires ministers' approval.

Palestinians and Israeli peace activists yesterday warned that implementing the plan could lead to a widespread protest.

In a public hearing this week, Ir Shalem, an Israeli organisation acting on behalf of Arab-Palestinian rights in Jerusalem, said the plan was illegal.

Mr Daniel Seidemann, legal adviser of Ir Shalem, said the movement would take the case to the supreme court if approved. He said Mr Benjamin Netanyahu, the Israeli prime minister, would "not be able to absolve himself of responsibility" if the plan was pushed through. A spokesman for Mr Netanyahu said the plan was at a very preliminary stage. *Avi Machlis, Jerusalem*

Rawlings heads for re-election

President Jerry Rawlings, who has dominated national life in Ghana for almost two decades, was within sight of a historic election victory yesterday as the first incumbent to be re-elected since independence in 1957. Only a late surge by Mr John Kufuor of the opposition's Great Alliance could force the race into a second round.

With results in from 139 of the 200 constituencies in Saturday's presidential and parliamentary elections, Mr Rawlings enjoyed a comfortable lead with 54 per cent of votes. Mr Kufuor had 43.7 per cent, according to the results from the National Election Commission. The third contender, Mr Edward Mahama of the People's National Convention, trailed with 2.3 per cent of votes.

Since independence from Britain, all Ghana's elected governments have been toppled before serving out their terms. In results so far in the parliamentary ballot, the president's National Democratic Congress party had 88 seats in the 200-seat assembly. The combined opposition had 51 seats.

The election commission put turnout at about 80 per cent in the elections praised by foreign poll observers as among the best organised in a region where logistics problems have marred voting in recent elections, often leading to violence. *Reuter, Accra*

Nigerians ring up big bills

State-run Nigerian Telecommunications (Nitel) was owed N19bn ($238m) at the end of September – mostly by private customers, it admitted yesterday. Mr Buba Bajoga, Nitel managing director, was quoted by the News Agency of Nigeria saying: "We are poised to recover the money from our debtors because this revenue is needed to improve on the performance of the organisation." Nigeria's telecommunications are notorious for unreliable service.

Customers often go through a slow and chaotic process to settle their phone bills, while touts tap into lines incurring large debts for their owners.

But the sector is gradually opening up to private enterprise. Nitel has signed inter-connectivity agreements with five companies and given them provisional licences, although they have yet to start operations. *Reuter, Lagos*

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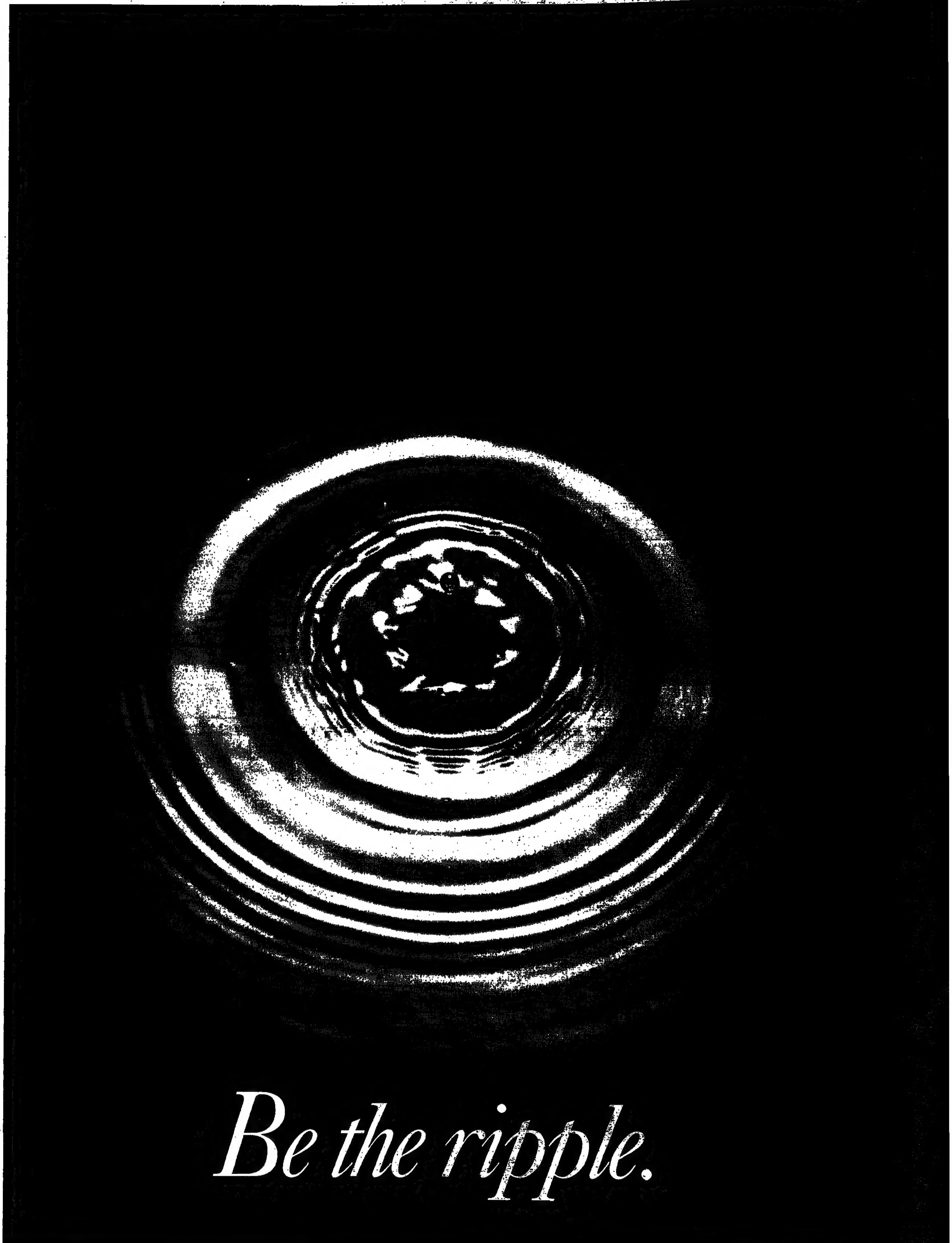

Yesterday Tenneco created more than a few ripples.
We're transforming ourselves into a global manufacturing company.

Our December 10 shareowner vote was the culmination of our strategy to create a powerful new Tenneco with two strong businesses — automotive parts and packaging.

Tenneco Automotive is the world's largest supplier of original and replacement parts for ride control and exhaust systems — driven by leading global brands Monroe and Walker.

Tenneco Packaging — with recognized brands like Hefty® an OneZip® — is one of the world's leading diversified packaging compani focused on value-added products in growing markets.

We've spun off several units after building up their strength and value f shareowners. We've paid down $5.5 billion in debt. We've built a health balance sheet and become a stronger, less cyclical company.

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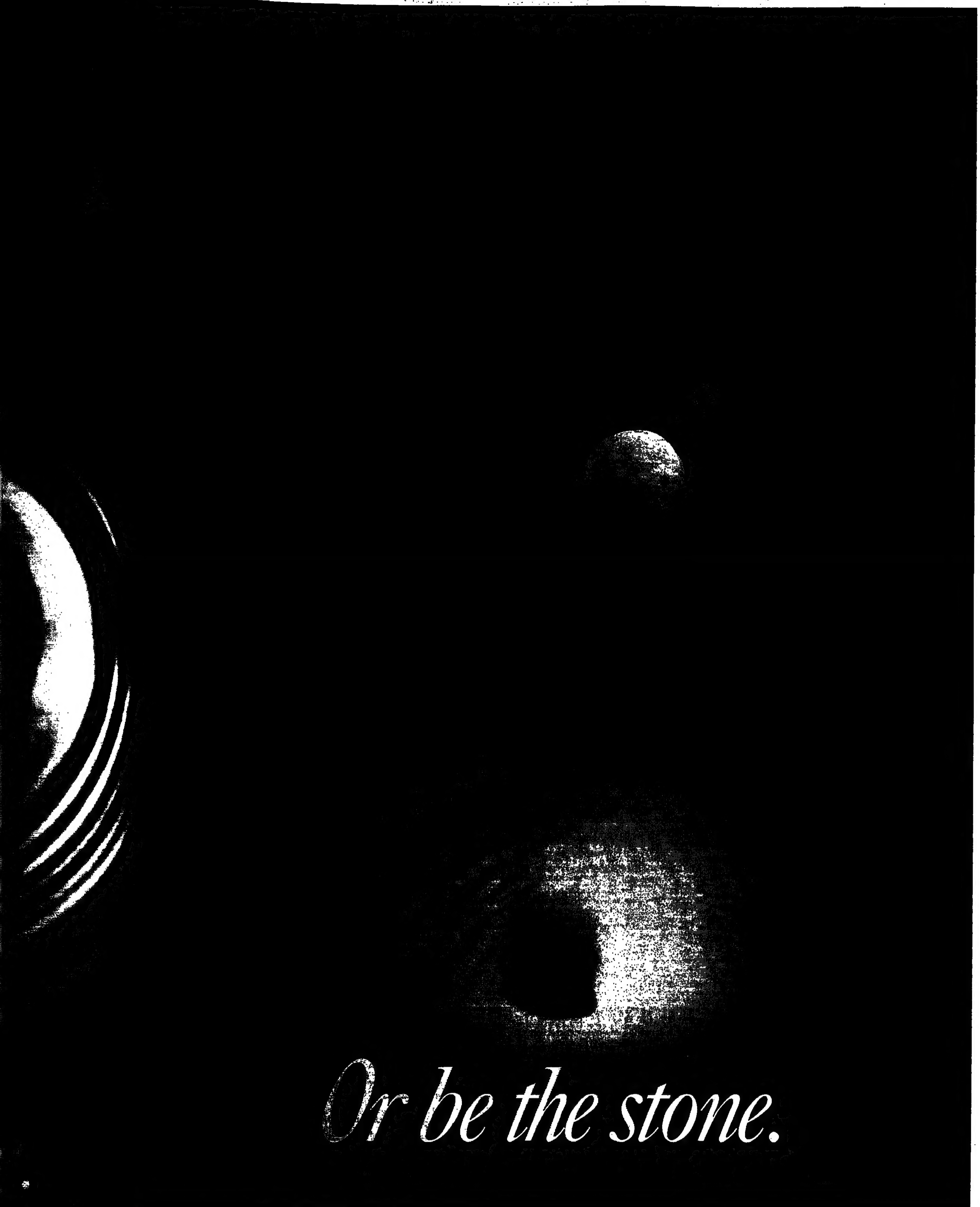


NEWS: ASIA-PACIFIC

Tung to be named HK chief today

By John Ridding in Hong Kong

Hong Kong will today pass a milestone in its return to Chinese sovereignty with the selection of the territory's first post-colonial governor, widely expected to be Mr Tung Chee-hwa, the shipping tycoon.

Mr Tung, who won a clear majority in a preliminary ballot last month, is set to be chosen by a secret ballot among the 400-members of a Beijing-backed electoral college for the top post after next July's handover. He will soon travel to Beijing with the territory's top civil servant to meet senior Chinese leaders, according to Chinese officials.

Tung: secret ballot

The meetings, which are planned within the next few weeks, are designed to demonstrate co-operation between Mr Tung and Mrs Anson Chan, the respected chief secretary. A close relationship between the two is considered important for a successful transfer of sovereignty from Britain to China.

Mr Tung has so far remained guarded about the composition of his executive team. But he has strongly signalled that he would seek to retain Mrs Chan in her present post. He has also indicated he would retain other senior civil servants to assist a smooth transition.

Government officials privately refer to the combination of Mr Tung and Mrs Chan as the "dream team". Mrs Chan is seen as a vigorous defender of Hong Kong's promised autonomy and an able administrator, while Mr Tung is well-connected on the mainland and among the territory's business community.

However, Mrs Chan and Mr Tung are at odds over Beijing's plan to replace the existing elected legislature. The chief secretary has forcefully condemned the proposed provisional legislature, while Mr Tung has endorsed Beijing's plan, arguing that there can be no legislative vacuum following failure by Britain and China to agree on electoral arrangements for a body to span the handover.

The issue has become one of the most serious obstacles to a smooth transition, with the prospect of two parallel legislatures raising concerns about disputes and confusion over the coming months.

Mr Chris Patten, the governor, has pledged to co-operate with the chief executive designate ahead of the handover, but has rejected any assistance over the provisional legislature.

Following today's session of the selection committee, which will nominate the chief executive, as the post-colonial governor will be known, a Beijing-appointed body will meet in southern China to discuss the formation of the provisional legislature. The composition of the new body, which is expected to be dominated by pro-Beijing politicians and business figures, will be announced on December 21.

In addition to the provisional legislature, the chief executive designate will be faced with a series of other sensitive issues. These include the introduction of anti-subversion legislation, which will determine the scope of freedom of expression after the handover and which has prompted a row between Beijing and the Hong Kong government.

The government has sought to pre-empt tough legislation by introducing its own bill to the Legislative Council.

EU scheme for boat people in disarray

Hanoi and Brussels in dispute over control of disbursement

By Jeremy Grant in Hanoi

A European Commission scheme to help the last of the Vietnamese boat people start new lives on their return home is in disarray six months after it began.

Disagreement between Hanoi and Brussels over financial control of the programme has delayed disbursement of aid to former asylum seekers, receiving only a fraction due to them so far, aid workers, Commission representatives and Vietnamese officials say.

The development comes at an awkward time for all parties to the problem, which is drawing to a close as increasing numbers of Vietnamese return home, mostly from Hong Kong.

Britain has pledged to empty the camps before China resumes sovereignty over the colony on July 1 next year. This is increasing pressure on the Commission and Vietnam to ensure the boat people are re-integrated into the communities they abandoned years ago.

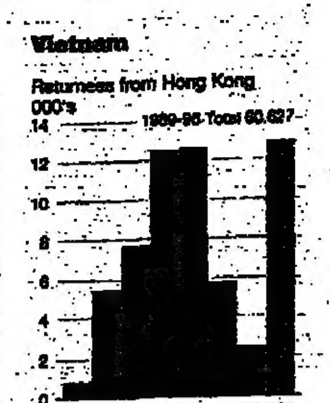
The Commission has made much of its role in this process since it first funded a re-integration scheme in 1989. Under a similar $20m three-year initiative launched in June known as the Returnee Assistance Programme (RAP), the Commission is to fund social and economic projects for 48,000 returnees who have arrived since July 1994, including some yet to return from Hong Kong.

Many should be eligible for loans to set up small businesses, subsidies for training and education, medical care and funding towards children's schooling. Loan terms have yet to be decided. But of 3,000 returnees targeted for other categories of aid in the first six months of RAP, only about 10 have received assistance.

"We're concerned that if we continue like this, the project might not meet its objectives. We have a moral commitment to the returnees, and to the taxpayer and European Parliament. The Commission and the Vietnamese have to improve the effectiveness of this project," Mr Ricardo Ravenna, head of the Commission's Hanoi delegation, said.

The Commission is understood to have two main concerns: recruitment of skilled local staff and financial accountability. Both are linked to which side has real control of RAP. Sources say differences over this issue have delayed delivery of assistance to returnees. "The reality is, returnees are coming back and getting almost nothing," said one.

Under RAP's agreement signed in March with the Commission, Vietnam's labour ministry agreed to give preference to recruiting Vietnamese with experience on the previous Brussels-funded programme, known as ECIP, for positions in RAP. Those workers would be responsible for disbursing aid to returnees in the provinces. But the sources claim the ministry has passed over former ECIP staff in favour of its own personnel, many with no relevant experience.



Matters are complicated by the absence of a Commission-appointed financial controller. Brussels is understood to have agreed to Vietnamese insistence on appointing a Vietnamese financial controller, in the interests of getting RAP off the ground.

Mr Nguyen Trong Dam, vice-director of the Haiphong labour department, acknowledged delays were occurring in Haiphong, home to about a quarter of all returnees. "We don't know exactly why the programme is delayed but feel it's because of the procedures and policies of the Commission," he said.

Local labour offices were reluctant to hire ECIP staff because co-operation between ECIP staff and local authorities had been poor, he added. "We are now making sure the local labour department recruits new staff so it can have some control over their activities."

Peters joins Bolger in New Zealand coalition

By Terry Hall in Wellington

The nationalist New Zealand First (NZF) party last night agreed to form a coalition with the conservative National party, giving New Zealand a government nearly two months after its first general election under proportional representation rules.

As part of the coalition agreement the new government is to widen the Reserve Bank's inflation target to a range of 0-3 per cent from 0-2 per cent at present, but New Zealand's economic policies – which have won the country broad international acclaim – will continue largely intact.

The National party – whose leader, Mr Jim Bolger will continue as prime minister – has agreed to defer tax cuts for 12 months from next July, and the new government is expected to announce a NZ$1.2bn (US$845m) increase in spending on health, education and social welfare in the next fiscal year.

The coalition deal was welcomed last night by financial markets, where the New Zealand dollar rose, and banks started announcing small cuts in mortgage rates.

Markets had been concerned that fiscal policy would be relaxed if NZF – which held the balance of power with 13 per cent of the vote in the October election and has been courted by both leading parties – had opted to back a coalition with the Labour party.

Mr Winston Peters, NZF leader and a former National party minister till he broke away to form his own party, said the new government was pledged to continue running budget surpluses, which would reach 17 per cent of gross domestic product by the year 2000.

He is to be treasurer and deputy prime minister in the new government, while Mr Bill Birch will retain his existing position as finance minister.

But this awkward-looking combination – Mr Bolger last night declined to detail Mr Peters' precise role as treasurer – is an indication of the intensely difficult negotiation that preceded last night's announcement. During the election Mr Peters campaigned on the theme that the National party was unfit to govern.

Mr Peters, who makes much of his Maori origins, said he knew his decision would sadden many of his supporters, but said it was essential to ensure economic growth, social responsibility and political stability.

To secure the coalition, National has also agreed to scrap its controversial move to limit the amount Maori people would receive in financial settlements for unjust land settlements dating back to last century.

Ms Helen Clark, Labour leader was bitter about NZF's rejection of her party's coalition proposal and accused Mr Peters of "betrayal". She said she would move a vote of no confidence in the new government.

Mr Don Brash, Reserve Bank governor, said the wider inflation target was consistent with the requirements of the Reserve Bank Act.

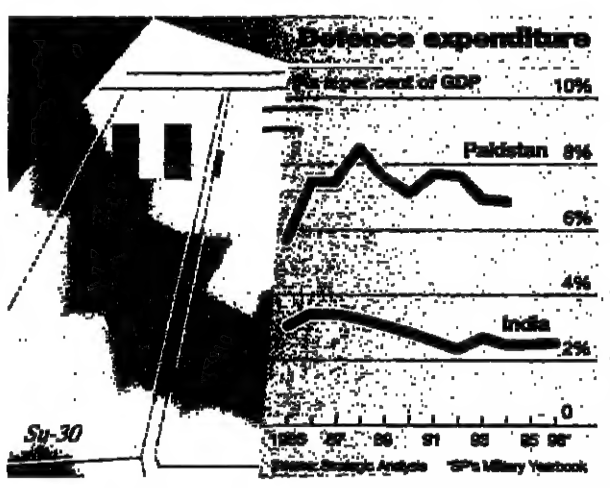
India's jet order highlights a decade of defence neglect

India's $1.7bn order for 40 Russian Sukhoi-30 fighter aircraft, its biggest arms purchase in 10 years, will do no more than contribute to a long-delayed modernisation of the country's air force and will leave its strategic capacity little changed, according to defence analysts.

The deal breaks a decade-long squeeze in defence spending, which has shrunk military expenditure to 2.6 per cent of gross domestic product from 3.6 per cent in 1988.

Though welcomed by Indian air force commanders, the Sukhoi contract has served to highlight growing expressions of concern from senior military officials over what they claim to be a strategically damaging neglect of defence since the 1980s.

Only last week General Shankar Roychowdhury, army chief of staff, launched a scathing attack on "a decade of inadequate defence planning and finances", telling a Delhi defence seminar that "the symptoms are becoming difficult to treat".



His remarks echoed those of Admiral Vijay Singh Shekawat, the retiring chief of navy staff, who in September argued that the navy's failure to purchase any new ships in 10 years had hurt India's defence preparedness.

"It takes 100 years to build a navy," he said. "You cannot sit tight for 10 years and then rush about for procurement."

The purchase of the 40 advanced SU-30 jets is a "re-equipping", says Mr Jasjit Singh, director of the Delhi-based Institute for Defence Studies and Analyses. But it will not fill the gaps which have emerged, he says.

The Su-30s have been bought to perform an air defence role, supplementing two squadrons of French Mirage 2000 jets bought in the 1980s. The new Russian fighters are expected to be equipped as multi-role combat aircraft and can be equipped for deep-strike missions, with a maximum unrefuelled combat range of 3,000km and weapons payload of up to 8,000kg.

But, according to Mr Singh, the burden of India's air strike capability will continue to rest on much older Russian MiG 27 and British Jaguar jets for perhaps the next 10 years. The backbone of India's air defences will remain the still older MIG 21, which most of the air force's 37 squadrons consist of.

The Su-30 order, under which all 40 fighters are expected to be in service within three or four years, will not complete the air force's own wish-list. This includes an advanced trainer jet, for which negotiations with potential French, British and Russian suppliers have been going on for 10 years.

Elsewhere, the navy has cited the urgent need to replace its two ageing aircraft carriers with at least one new ship, while also pointing out that almost a third of the fleet faces decommissioning by early next century. The army has also been conducting long and so far fruitless negotiations with a range of suppliers from Slovakia, Britain, Russia and South Africa for a new 155mm howitzer.

The full re-equipment list is longer and, say analysts, unaffordable even if India's defence budget rises – which it is not expected to do – over the next several years to about $10bn a year, from the present $7.75bn budgeted for 1996-97.

More substantial spending would appear incompatible with the government's aim to bring down its chronically high fiscal deficit from its present level of more than 5 per cent of GDP.

The United Front government has already conceded that defence spending this year will have to rise perhaps Rs15bn ($420m) above budget. But this extra spending, though it may include a small advance component of the SU-30 cost, is expected to reflect a delayed rise in military salaries and higher fuel costs rather than any substantial re-equipping.

Defence analysts point out that to sustain its conventional defences, India has little option but to import increasingly expensive foreign weapons systems. Current indigenous programmes to build its own battle tank and a home-made fighter aircraft, they say, will not be adequate.

But, says Mr Bramha Chellia, a defence expert with the Centre for Policy Research, a Delhi think-tank, "India does not have the resources today, and will not have in five years down the road, to sustain a full conventional defence modernisation."

The awkward policy issue for India's defence planners – and potential source of grave misgiving among its neighbours, not to mention the US – is that the apparently prohibitive cost of upgrading its conventional defences merely adds to the allure of a cheaper missile-based and, perhaps, an overtly nuclear defence strategy.

India currently holds a policy of nuclear ambiguity. It tested a "nuclear device" in 1974 and, while disclaiming any present intent to develop a deliverable nuclear weapon, nevertheless claims to have the wherewithal. It has already successfully tested both short- and long-range nuclear-capable missiles.

"The nuclear and missile deterrent is becoming much more attractive to policy makers," suggests Mr Chellia.

Mark Nicholson

ASIA-PACIFIC NEWS DIGEST

US warships 'may use HK'

US warships will still be allowed to use Hong Kong harbour after control of the British colony reverts to China next summer, Gen Chi Haotian, Chinese defence minister, has assured Washington. Gen John Shalikashvili, chief US military commander, yesterday described the Chinese gesture as one of a series of "confidence-building measures" between the two nations.

A Pentagon spokesman said Gen Chi had stressed: "What China wants in Hong Kong is stability and prosperity... following the terms of the China-UK Declaration on Hong Kong." In that context, it had agreed "in principle" to allow the US fleet to continue to use Hong Kong harbour.

The US general also said US officials had made clear it was "counter-productive" to the stability of the Middle East for China to have sold Iran sea-launched cruise missiles, one reportedly tested by Iran from a Chinese-made patrol boat recently. The visit by Gen Chi has included a White House meeting with President Bill Clinton, in which Mr Clinton did not raise any bilateral problems, officials said. *Jurek Martin, Washington*

Gowda calls growth talks

Mr H.D. Deve Gowda, India's prime minister, plans to convene an emergency meeting of top industrialists and economists this month to discuss reasons for the country's economic slowdown, he said yesterday. The announcement came as figures showed September's industrial output had almost stagnated, with growth of just 0.7 per cent on the same month last year.

The Centre for Monitoring the Indian Economy, an independent research agency, said growth had slowed from 9.4 per cent in first quarter starting in April to 6 per cent in the second. "Very preliminary" estimates for October put monthly growth slightly up at 1.5 per cent over a year earlier. India's GDP last year grew 6.6 per cent, the second successive year of rises above 6 per cent. Officials say a robust harvest and good monsoon ought to keep growth above 6 per cent this year in spite of the industrial slowdown. *Mark Nicholson, New Delhi*

Japanese machinery spending

Japanese companies increased spending on machinery, an advance indicator of overall corporate investment, by 44.2 per cent to a record Y1,365bn ($12bn) from September to October, official data released yesterday showed. The Economic Planning Agency pointed out that the recovery, from a 10.2 per cent decline a month earlier, was partly due to one-off factors, but the underlying upwards trend was strong. The EPA expects orders to rise 19.3 per cent in the three months to December against the third quarter.

A separate finance ministry survey of business confidence in November showed 8.8 per cent of top managers thought economic conditions were improving, a modest improvement on 6.5 per cent in August, but below initial forecasts of a confidence rating of just over 10 per cent. *William Dawkins, Tokyo*

Manila ponders lending limits

The governor of the Philippine central bank yesterday said he was considering policy guidelines setting limits to the level of banks' lending to the property sector. Some analysts have expressed concern about the sustainability of Manila's property boom and about banks' increased exposure to the sector. Last month, the central bank published a study on implications for monetary policy of bank exposure to the property sector. It found prices in three of Manila's business districts had risen by between 150 and 230 per cent since 1994. *Justin Marozzi, Manila*

Victoria to sell state's gas industry

By Nikki Tait in Sydney

Victoria's conservative state government, which pioneered the sale of publicly held electricity assets in Australia, yesterday confirmed that it plans to go ahead with the privatisation of the state's gas industry.

Ministers said they were considering how the sale should be structured, but expected to decide on most elements of the process early in the new year.

"The government is giving consideration to the option of restructuring Gascor [the state-owned utility] into two or three gas distribution businesses, and disaggregation of the retail sector into between two and five retail entities," said Mr Jeff Kennett, state premier.

As with the electricity industry, privatisation would go hand in hand with deregulation of the sector. According to a tentative timetable, suppliers would start competing for big gas users by mid-1998. Three years later, by mid-2001, there should be full competition for small business and retail customers.

Neither Mr Kennett nor Mr Alan Stockdale, state treasurer, put any figures on the expected proceeds from the asset sales, although they did say they expected interest from existing players in the Australian energy market and from overseas. Some estimates have suggested that Victoria could raise around A$2bn (US$1.6bn) from the gas industry privatisation.

Energy utilities have traditionally been state-based monopolies in Australia, owned by the respective state governments. Victoria was the first state to discard this structure when it began to privatise electricity last year – not least in an effort to pay heavy state debts.

The Victorian government has raised over A$10bn from the sale of all the electricity distribution businesses and some of the generating assets. It confirmed yesterday that this sale process will continue, with remaining generating and hydro assets also going under the hammer.

So far, while other states have restructured their electricity businesses, putting them on a "corporatised" footing, no one has followed Victoria's comprehensive privatisation plan.

Latest attempt to bring about lifting of beef ban may reignite divisions over Europe

New cattle cull expected to be approved

By George Parker and Robert Peston

Conservative tensions over Europe look set to be reignited tomorrow when ministers are expected to approve the slaughter of up to 125,000 more cattle in a new attempt to secure a lifting of the EU ban on British beef exports.

The cull has widespread backing in the cabinet even though Mr Douglas Hogg, agriculture minister, admits it may not be enough to persuade the EU to lift the nine-month-old ban.

The decision comes at a sensitive time for the government, in the middle of a two-day debate on the European Union and preparations for a single currency.

Mr John Major, the prime minister, is keenly aware of the potential for a further anti-European backlash from rightwing Conservative MPs if other EU member states refuse to respond to the additional cull.

Mr Major yesterday reiterated his weekend criticism of Eurosceptic Conservative backbenchers who have been putting pressure on him to abandon his "wait-and-see" approach to whether sterling should participate in European economic and monetary union.

In the House of Commons, Mr Tony Blair, leader of the opposition Labour party, asked Mr Major whether he stood by his comments that "Conservative divisions were self-evidently . . . damaging Britain's interest". Mr Major replied he had already "made that perfectly clear".

But Mr Major appeared to acknowledge that many European countries were now anticipating a Labour victory in the general election. Mr Major said: "What also undermines our national interest and our negotiating position in Europe is the fact that many of the socialist governments in Europe are expecting a very easy ride were there to be a Labour government."

Meanwhile, ministers acknowledged that they are under mounting pressure from farmers and some Conservative backbenchers to honour the deal made at the EU summit in Florence last June, and press ahead with a selective slaughter of older cattle deemed most at risk from bovine spongiform encephalopathy.

Mr Hogg believes the new cull should proceed as a sign of good faith with Brussels and to show increasingly angry farmers in areas such as Scotland and Northern Ireland that he is doing his utmost to get the ban lifted.

Abattoirs have now cleared a backlog of cattle awaiting slaughter under the separate cull of over 1m cattle aged over 30 months.

A decision on whether to proceed with the cull will be taken tomorrow. Mr Kenneth Clarke, the chief finance minister, remains concerned at the cost of the scheme – now thought to be between £150m and £200m ($246m to 328m) – if it does not guarantee a lifting of any part of the ban.

Meanwhile Mr Hogg yesterday announced a new computer system to track cattle movements, another measure agreed at Florence.

Bridge could help unite a divided city

London has always been a divided city; many people still mistakenly believe that north and south of the River Thames are two completely different worlds. The approach of the millennium and the availability of the Millennium Lottery Fund for capital projects has suddenly prompted a crop of new bridge ideas at the heart of the capital to link the north bank to the rapidly developing south.

In July this year the Financial Times – in association with a municipal authority on the south side of the river and the Corporation of London, the municipal authority for the City – launched a design competition for a pedestrian bridge to link St Paul's cathedral to the new Tate Gallery of Modern Art and the Globe Theatre, a reconstruction of Shakespeare's original on the south bank.

The winner was announced yesterday – a UK team comprising Sir Norman Foster and Partners, the architects, Ove Arup and Partners, the engineers, and the sculptor Sir Anthony Caro. There were 223 entries from around the world and the competition was organised under Royal Institute of British Architects and European Union rules.

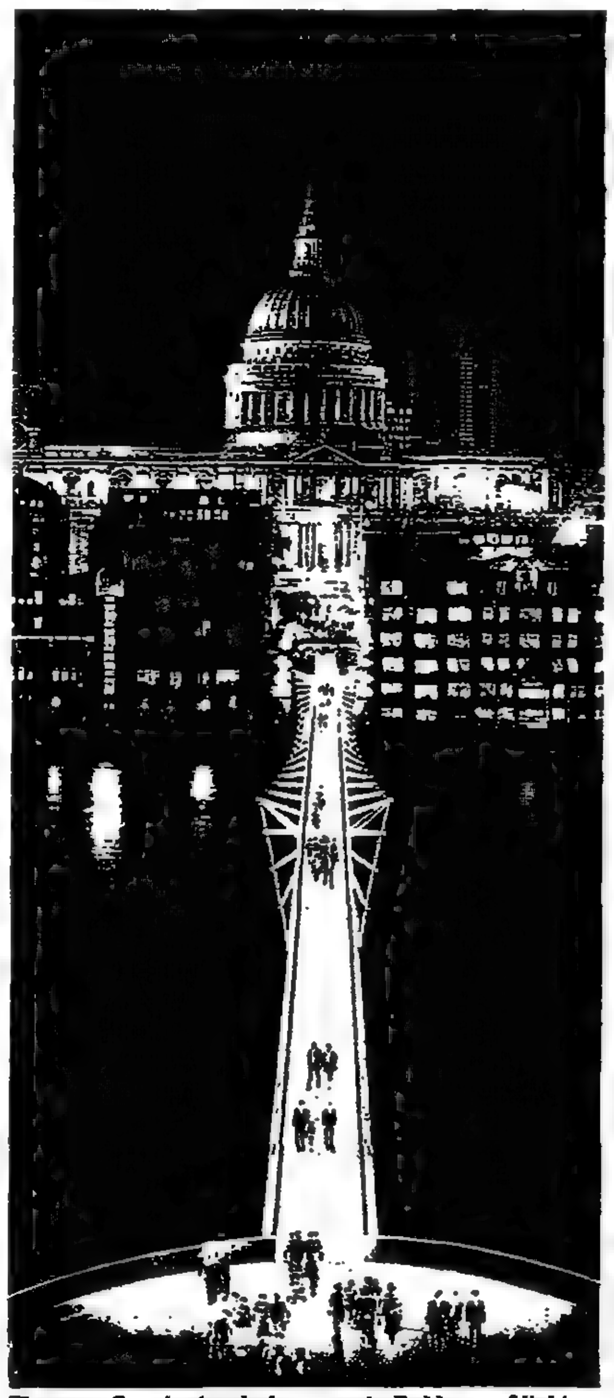
The elegant winning design is for a cable-supported bridge that needs only two slender piers in the river to support it across the 230m of the Thames. By day all that will be seen is a line of stainless steel with minimal cables; at night it will be literally a controlled beam of light.

At each end of the bridge the sculptor's input will be felt in the ramps and steps he has designed which make it easy for the disabled to reach the bridge. On the south side, the circular ramp is a clear echo of the dome of St Paul's.

The Millennium Bridge will be the first new Thames crossing since Tower Bridge was completed in 1894. While Paris has the Pont des Arts and Venice the Accademia Bridge, this will be the capital's first and only bridge dedicated to pedestrians. It will offer the most spectacular views of London – especially of the whole of St Paul's from the middle of the river.

It is now the subject of a bid to the Millennium Commission which can vote funds for up to 50 per cent of the anticipated final cost of £10m ($16.4m). The rest of the money is likely to come from private sources and municipal authorities. The bridge will be the most significant reminder of the millennium and with such a distinguished team behind it is likely to be completed in good time for any festivities to mark the year 2000.

Colin Amery



Elegance: the winning design, a controlled beam of light

N Ireland pays price for return to terrorism

By John Murray Brown in Dublin and John Kampfner in London

Northern Ireland paid the price for the resumption of terrorism yesterday as the government announced big cuts in training, education and welfare to fund the increased cost of law and order following the breakdown of the Irish Republican Army ceasefire.

Announcing projected budget cuts for the first time since 1990-91, Sir Patrick Mayhew, Northern Ireland secretary, said the peace dividend had "alas been reversed", with an extra £120m ($196.8m) allocated to cover policing and compensation payments for the period 1997-2000.

"The IRA and those responsible for the disturbances which occurred last summer bear a heavy responsibility," Sir Patrick said.

He said Northern Ireland "cannot be exempt from contributing to the government's policy of controlling public expenditure", pointing out that per capita public spending was still 30 per cent higher than on the UK mainland.

The Royal Ulster Constabulary, Northern Ireland's police force, is to receive an additional £77m, and an extra £42m will top up the compensation insurance fund for damage from bombs and other disturbances.

Sir Patrick acknowledged that the violence which followed the RUC's climbdown last July, when it allowed Protestants to march past Roman Catholic homes in the village of Drumcree, had led to sharp cost overruns.

Ms Marjorie Mowlam, the opposition Labour party's Northern Ireland spokesman, criticised the measures as "a budget for the short term".

Unionist – pro-British – MPs at the House of Commons, who now hold the balance of power following the recent loss of the Conservative majority, have told ministers they will oppose any moves to give Roman Catholics effective veto rights over parades.

Nationalists in Dublin and Belfast fear London has all but given up efforts to secure a second IRA ceasefire. They suspect that under pressure from some Conservative MPs, as well as Unionist parties, ministers are looking at Northern Ireland as a purely security problem.

However, the industry budget is to be increased by 4 per cent. Sir Patrick said with unemployment falling to record low levels, the government was focusing on job creation. The total budget is cut in real terms by 1.6 per cent in 1997-98 to £8.2bn, followed by cuts in the following two years of 1.6 per cent in 1998-99 and 0.7 per cent in 1999-2000.

Charities see income rise by 20% in five years

By Mark Suzman, Social Affairs Correspondent

Total charitable income has risen by 20 per cent over the past five years to nearly £12bn ($19bn) fuelled by rapid growth in government contracts for services ranging from care for the elderly to special education programmes, new figures show.

The first comprehensive guide to the voluntary sector's economy, published today by the National Council for Voluntary Organisations, shows that many of the UK's 120,000 active charities now depend more on fees than donations as overall income from government contracts soared by 56 per cent between 1991 and 1994-95.

The National Lottery Charities Board yesterday made its first significant grants to medical and research organisations, ending a long-running dispute with some big medical charities, *Mark Suzman writes*. Health charities last year complained about the lack of any suitable category for lottery applications to promote medical research and treatments.

Yesterday's grants, worth £8.6m ($14.10), were distributed among 66 medical charities.

Combined with a 20 per cent rise in government grants over the same period, that means the state now provides more than a quarter of all voluntary sector income.

By contrast, support from business declined by 25 per cent over the same period and – ignoring gifts in kind – currently accounts for 4 per cent to the total.

While donations from the general public remain the biggest single source of money for the sector, representing 36 per cent of overall income, only half of that comes from individual giving – a proportion now matched by investment earnings.

Helped by the long bull market in equities, earnings on the sector's £25bn in long-term investments and £10bn in short-term funds generated approximately 20 per cent of total charitable income last year, up from 15 per cent five years ago.

This growth has been unevenly distributed, with the largest charities enjoying unprecedented increases in their incomes, while many smaller groups suffered modest declines.

However, several of the biggest beneficiaries of the strong stock market are grant-giving foundations, leading to a 63 per cent rise in grants, most of which went to small and mid-size organisations.

According to Mr Les Hems, head of research at the NCVO and one of the guide's authors, the picture is broadly encouraging but points to the need for continued diversification.

"The increase in income from local and central government, the so called contract culture, has not led to the sector becoming richer, but to increasing its activity as it is expected to take on more and more service provision," he said.

"Consequently it is still dependent on individual donations and there is a continued need for diversification of income sources."

The report also calculates that the sector has net assets of £3.5bn, employs over 400,000 paid workers and contributes £3.7bn - equivalent to 0.6 per cent of GDP- to the national economy every year.

The UK Voluntary Sector Statistical Almanac 1996, NCVO Publications, Regent's Wharf, 8 All Saints Street, London N1 9RL, £20

Deputy premier hits at 'network of leakers'

By James Blitz, Political Correspondent

Mr Michael Heseltine, the deputy prime minister, last night claimed there was a "network of leakers working to the Labour party and the press" inside the British civil service.

In words that are certain to be severely tested by the main opposition party, Mr Heseltine told a Commons committee that Labour party sympathisers inside the civil service had been leaking "serious, damaging documents for political purposes". He claimed that the government was "considering charges" against them.

Giving evidence to the House of Commons public services committee, Mr Heseltine refused to spell out precise allegations. But he promised to give evidence of the allegations to the committee in a paper which will be submitted in due course.

Mr Jim Cousins, a Labour MP on the committee, said to the deputy prime minister: "You have alleged and averred that there is a network of leakers in the civil service working for the Labour party and the press, and you will give evidence to back up that assertion."

Mr Heseltine answered with the one word answer "Sure".

The deputy prime minister's comments came just two weeks after details of the Budget were leaked to a daily newspaper. The deputy prime minister's office said last night there was no question of any Labour sympathiser being accused of involvement in a leak to the Daily Mirror on the eve of the official Budget speech of Mr Kenneth Clarke, the chief finance minister.

The debate over whether the civil service has been politicised has been one of considerable embarrassment to Mr Heseltine in recent months.

Earlier this month, it emerged that he had been forced to abandon a plan under which civil servants would recruit the heads of public bodies as Conservative "cheerleaders" at the next election.

UK NEWS DIGEST

ICL in deal with Microsoft

ICL, the UK-based computer company owned by Fujitsu of Japan, is planning to strengthen its ties with Microsoft, the world's biggest software group, through a substantial commitment to the US company's flagship operating software, Windows NT.

Mr Keith Todd, ICL chief executive, will fly to Microsoft's headquarters in the US state of Washington later this month to finalise details with Mr Steve Ballmer, head of sales and marketing at Microsoft. Centrepiece of the partnership will be an NT centre of excellence in the UK northern city of Manchester where ICL's big computers are designed and manufactured. ICL is spending about £1m ($1.64m) to retrain some 200 software engineers in NT technology.

The engineers are currently specialists in ICL's flagship operating software, VME, now coming to the end of its life. Dr Paul Davies, who is responsible for managing ICL's relationship with Microsoft, emphasises that ICL is not abandoning its VME customers.

The company's new range of big machines, called Millennium, will run not only VME and NT but also Unix, operating software which at one time seemed likely to become the industry standard. ICL's endorsement of NT suggests that the UK company accepts that NT will eventually prevail as the operating system of choice for big companies. *Alan Cane*

■ BARINGS

Bank chief gets formal reprimand

Financial regulators have retreated from an effort to ban Ms Mary Walz, a former senior manager of Barings, the collapsed merchant bank, from working in the City for up to three years, and have instead given her a formal reprimand. The agreement between the Securities and Futures Authority and Ms Walz follows a judgment by an SFA tribunal that Mr Ron Baker, Ms Walz's former senior manager at Barings, should not be banned for his role in the collapse.

Ms Walz, formerly the head of equity derivatives trading at Barings, has agreed with the SFA to accept a reprimand and pay a contribution to costs. Both Ms Walz and the SFA yesterday declined to comment on the outcome of the case. Ms Walz, who last week lost an industrial tribunal claim to be paid a £500,000 ($820,000) bonus that she was promised shortly before Barings' collapse in 1995, is one of nine former Barings managers who have faced SFA disciplinary hearings. The SFA decision raises a doubt over whether it will carry on with its action against Mr Ian Hopkins, the former head of treasury and risk at Barings, whose case was due to be heard by an SFA tribunal next month. *John Gapper*

■ FORMER YUGOSLAVIA

Peacekeeping costs exceed plans

British peacekeeping forces in former Yugoslavia have cost 20 per cent more over the past year than anticipated, the National Audit Office, the public spending watchdog, says today. But criticism of the overshoot was tempered by recognition of the logistical difficulties facing the UK contingent and the other participants in Ifor, the Nato-led international force.

In its report to parliament, the audit office also referred to breakdowns in control over cash and stores, with periods of up to 17 months without on-site checks. Stocktakes revealed discrepancies of £3.3m ($5.4m) of ammunition stored in theatre for which there was no supporting documentation, and about £4m of ammunition for which there was documentation but which had not been traced. The audit office calculated that the UK's contribution to the previous UN-led force, Unprofor, between 1993 and 1995 totalled £368m. The UN has reimbursed £117m of the sum, but a further £60m remains outstanding. *John Kampfner*

■ ASYLUM SEEKERS

Amnesty criticises detentions

The UK spends about £20m ($32.8m) a year detaining asylum-seekers, according to a report published today by Amnesty International, the London-based human rights charity. The report says this practice not only violates international human rights standards but mostly "serves little, if any, purpose".

Amnesty accepts as "not unreasonable" the government's argument that detention may be useful as a way of ensuring that people whose asylum pleas are rejected do actually leave the country. But it suggests that in order to achieve this, detention should only be used at or near the end of the asylum process, "when the incentive to abscond is much increased". Instead, it finds that 80 per cent of available detention places are "occupied by individuals who have been continuously detained since the time of application". Meanwhile, out of 72,000 rejected asylum seekers who exhausted all rights of appeal and became liable to removal from the UK between January 1992 and September 1996, only 10,888 actually left the country.

The study also reveals that since late 1994 several hundred people have been imprisoned for using false travel documents to transit through the country on the way to seek asylum in Canada or the US. The great majority of these, on realising they would not be able to reach North America, then applied for asylum in the UK and "a substantial proportion" were re-detained after completing their sentence while the Home Office examined their asylum claim. *Edward Mortimer*

■ CONSTRUCTION

House orders reach two-year high

Private sector house building orders rose steeply in the three months to the end of October, reaching the highest level for two years, according to government figures. Total construction orders were unchanged compared with the previous three months but 2 per cent higher than in corresponding period last year. Orders for homes were 27 per cent and 21 per cent higher respectively over the same periods. The figures, in constant 1990 prices, are adjusted to take account of seasonal variations. *Andrew Taylor*

Bass bid prompts wider examination of the brewery industry

A competition inquiry is likely to focus particularly on the relationship between beer makers and the pubs tied to buying from them

The launch this week of the 35th government intervention into British brewing in the past 30 years confirmed the fears of many brewers that regulators cannot keep their hands off the industry.

Yet brewers and their customers, such as big pub chains and supermarkets, had lobbied for the Monopolies and Mergers Commission, the competition authority, to investigate Bass's £200m ($328m) bid for Carlsberg-Tetley. They were worried that Bass could use its market share, expanded to 36 per cent by the takeover, to their disadvantage.

Bass used two main arguments to try to convince competition regulators that an inquiry was unnecessary. First, that the beer market had opened up to competition since the previous MMC inquiry in 1989. Second, that a precedent had been set last year when approval was given for Scottish & Newcastle's takeover of Courage, creating a brewer with about 30 per cent market share.

Bass made its case to the Office of Fair Trading, the body advising Mr Ian Lang, the trade and industry secretary, on competition issues. It also tried to head off an MMC inquiry by offering the OFT undertakings to improve competition.

But "the OFT couldn't see an easy way of making the deal more benign", said one person familiar with the negotiations. Moreover, the OFT seemed uninterested in seeking undertakings. "The OFT fought a very long and determined battle against it from the start," commented a second observer of the discussions.

The OFT had sought an MMC inquiry into S&N's bid for Courage last year but Mr Michael Heseltine, Mr Lang's predecessor at the trade department, had asked the OFT to negotiate undertakings with S&N instead.

This time, the OFT got the inquiry it sought. "Lang is keen to show he is different from Heseltine. He is much more likely than Hezza to follow the advice of his officials," said a watcher of competition policy.

According to one person familiar with the negotiations: "Bass's history of dealing with the OFT is poor and has never had an entirely sure feel to it."

The Bass deal will come under close scrutiny from the MMC over the next three and a half months. It is likely to take a broad look at the UK brewing industry, particularly the relationship between brewers and the pubs tied into buying beer from them.

Competition has increased dramatically at the retail level since the last MMC inquiry into the industry in 1989. Legislation triggered by the inquiry forced national brewers to shed tens of thousands of pubs from their estate.

Many were bought by regional brewers such as Greene King or a new breed of independent pub companies such as Enterprise Inns.

Supermarkets have grabbed a much larger share of off-licence sales.

Two of the main issues Bass will have to address with the MMC are the large share its takeover of Carlsberg-Tetley will give it of certain types of beers in some regional markets, and the volume of beer it would sell through its estate of 2,770 managed and 1,440 tenanted pubs, which sell about 23 per cent of Bass's output.

Observers consider the most likely resolution of these competition concerns is for the government to order Bass to sell a large proportion of its pubs. The government forced S&N to trim its estate to 1,900 managed and 700 tenanted pubs, selling about 10 per cent of its brewing output.

Employing a rough ratio of number of pubs to market share and percentage of output sold through the pubs suggests Bass might be required to shed 2,000 pubs.

Such an amputation would not necessarily undermine the financial logic of Bass's takeover. It is a sellers' market for pubs at the moment so Bass would get a good price. Moreover, it would be likely to retain about 70 per cent of the beer sales through them.

But such an outcome would severely diminish the financial attractions of the takeover for Bass. Unless Bass is more adept in the next stage of negotiations with the government, one analyst said, it will have to decide whether or not to conclude the Carlsberg-Tetley takeover.

Roderick Oram

Watching brief

Net finds its voice

To most telecoms companies, Internet telephony is a gimmick to be dismissed or a threat to be quashed. Not to Telecom Finland: the long-distance operator will this week begin offering voice communication over the network. It is linking with VocalTec, an Israeli developer of sound compression and transmission software, to allow PC users to make calls.

Conversations over the Internet are still crackly and complicated to set up, but Internet telephony allows long-distance communications for the cost of local calls and is expected to displace traffic which now travels over the established telephone network. Telecom Finland's move, which will cannibalise existing revenues, marks the first recognition by a mainstream telecoms company of the seriousness of competition from the Internet.

VocalTec, tel US 201 768 9400; fax 201 768 8898; http://www.vocaltec.com/

Check out bank site

Retail banking over the Internet will become a reality when Microsoft and CheckFree unveil a new product called BankStreet Web. The two companies are already active in providing tools for online banking, but until now the software has been designed for private dial-up networks set up by banks.

BankStreet Web will allow consumers to use the Internet and standard Internet software such as Netscape Navigator – rather than installing special software onto their PCs and dialling in to a dedicated telephone number. BankStreet Web will also enable users to access elements of Microsoft's Money 97 personal finance application through their Internet browsers. Banks, as well as cutting costs, will be able to tailor the design and functions of their online offerings.

CheckFree, tel US 614 825 3000; fax 614 825 3279; http://www.checkfree.com/

Monitoring takes off

Long talked about, satellite technology is finally being introduced to improve the efficiency of air traffic control. EDS, the computer services company, has won a £50m contract to modernise the Prestwick centre which monitors transatlantic flights. The new system, which is due to enter service in the year 2000, will take data from an aircraft's on-board flight navigation equipment and bounce it off satellites in geostationary orbit to update Prestwick computers.

By automatically relaying an aircraft's location and planned flight path, rather than rely on voice communications or ground radar, the project is designed to improve control of movements.

EDS, tel UK (0)1252 632161

Watching Brief is compiled by Nicholas Denton: e-mail nick.denton@FT.com; fax 0171 873 4343

Using the Internet • **Wolfgang Münchau**

Home news broadcast far and wide

German TV news is now available to Net users – who can even 'edit' the running order

Broadcasters were among the first users of the Internet, but until recently their Web sites merely provided extra information to support regular television programmes.

Now transmitting programmes via the Net is fast becoming a reality, with potential for the user to decide which elements to watch and in what order.

The challenge for television companies has been to find a way to transmit full sound and video without hitting a bottleneck in the Internet system. Some online service providers (ISPs) do not achieve the throughput rates for data that are necessary for transmitting high-quality sound and pictures.

This summer, MSNBC, a joint venture between General Electric's NBC and the Microsoft software group, began a 24-hour news channel with a news site on the World Wide Web featuring selective sound and video clips.

Around the same time, ARD, Germany's main public broadcasting network began a service that goes further. It scored a world first by transmitting its entire evening news programme via the Internet in full sound and video.

At the heart of the project is VDOLive, sound and video software that was developed in Israel for military use, which allows the transmission of sound and pictures of a surprisingly high-quality at low transmission rates.

The development is unusual, as most Net-related innovations are being made in the US rather than in Europe. Ulrich Deppendorf, ARD's head of news and current affairs, says: "I was surprised that the Americans did not get there before us. In the past 20 years all the technical innovations [in computing and networking] came from America. They are technically much more advanced than we are."

Users of the German service need a 28.8kbps (thousand bits per second) modem or an ISDN digital link and a reasonably solid Internet connection, such as those offered by the leading Internet and online services. They also require a PC that runs Windows or a Power Macintosh computer, a web browser such as Netscape or Microsoft's Internet Explorer, and the VDOLive software, which can be downloaded at the site (or directly at *http://www.vdo.net/download*) free of charge.

Occasionally the picture lags behind the sound, but the quality on the whole is adequate enough for a newscast – which usually consists of the presenter's introduction followed by a short news clip.

Information Technology
● The FT's review of Information Technology appears on the first Wednesday of each month

The idea for using the Internet to transmit the programme – rather than merely providing some extra information – was the brainchild of Robert Amlung, a computer-literate television reporter at ARD.

With the help of a some part-time students, virtually no budget and no interference from the editorial board, he acquired a relatively modest set of hardware, chose an ISP and started what turned into one of the few genuinely useful information services on the Net – at least for German speakers – available on *http://www.tagesschau.de*.

The two main programmes transmitted are Tagesschau, Germany's most-watched news programme, which is broadcast from Hamburg at 8pm every day, as well as Tagesthemen, a current affairs programme, running usually at 10.30pm. At the moment, the Internet version of the evening news arrives after a delay of about 45 minutes, although this varies from day to day.

During the August CeBit computer fair in Hanover, the ARD Internet team experimented with live transmissions. But Amlung says live transmissions are not the main goal, since few people would chose to watch a programme live on the Net, when they could watch it live on TV.

One of the main target markets are German speakers who live overseas, especially in the US where the Internet is the only live link with home, and certainly the only way to watch German news.

This is how it works: every night, Amlung and his team of part-time helpers tape the show on to the hard disk of a computer. Using video software, the programme is broken down into chunks, which are fed into the Web page.

When the service was launched in the summer, the Web site collapsed under the weight of 300,000 hits, the number of times a Web site is accessed. Given that most users access a site several times when they browse through the pages, this translates into roughly 20,000 to 30,000 users.

Today, there are about 7,000 to 10,000 users watching the Internet news every night. Judging by the e-mail messages, a large number of users are from the US. There are also some German residents who do not make it home for the 8pm news programme, but who prefer the concise quality of public broadcasting compared to what the private sector offers.

At present, the service can be transmitted to only 50 people simultaneously, a rate which can be increased to 200 without much difficulty if the need arises. For watchable results, the throughput needs to be 1,500 to 1,700 bytes per second, which is roughly the scope of a 14.4kbps modem, although a 28.8kbps modem is recommended.

"The bottleneck is not the computer or the modem," says Amlung "but the service provider. We have problems especially with some of the smaller providers."

A fully-digitalised TV news service has potentially far-reaching editorial implications. For example, the Internet service gives viewers the choice to make selective decisions, such as deciding to cut out the lead story on on Zairean refugees and go straight to football and the weather.

Viewers can also choose their own running order, a decision which in traditional television is the exclusive prerogative of journalists and editors.

Internet television brings up a variety of potential problems, such as data protection, since there is little anonymity on the Net.

But the most important aspect, says Deppendorf, is that "for the first time, people can watch us anywhere in the world," whereas previously the scope of a transmission was limited by the reach of a transmitter or the footprint of a satellite.

The next big project for ARD's Internet service will come in September next year, when Amlung and his team plan to broadcast the Hamburg state elections, complete with exit polls, current projections and all the usual number-crunching that comes with elections. By then, they hope, the Internet will have become just another normal way to watch the news – or rather, parts of it.

This is the second in a monthly series on how different industries are using the Internet. The first article, on investment analysis, appeared on November 20.

BUSINESS SOFTWARE **Sifting data for minerals mining**

Rich seam for neural systems

A "thinking" computer system using neural computing techniques which mimic the workings of the brain has been developed to find mineral deposits.

The software tool, Prospect Explorer, can analyse a wide range of raw exploration data and automatically detect and prioritise anomalies which could indicate new deposits.

It has been developed by Neural Technologies, a small nine-year-old UK-based company, working with Straits Resources, a quoted Australian mining company.

According to Alfred Weiss, executive director of the American Institute of Mining, the software tool will bring about "the biggest revolution in the mining industry for 25 years". Prospect Explorer is being marketed by Neural Mining Solutions, a joint venture between the UK and Australian companies.

The excitement reflects the scale of the problem confronting mining companies and geologists. Gavin Daneel, exploration manager of Straits Resources, says the 3,000 mining companies around the world collectively invest more than $2bn (£1.2bn) a year on exploration.

Until recent times, explorers have often been able to make discoveries of new mineral deposits by direct means, but undiscovered outcrop deposits are now rare. Now geologists must rely on more indirect sampling methods such as ground, air and space-borne geophysics and other remote sensing methods.

However, as collection tools became more sophisticated, the volume of data generated from surveys has exploded. Even for expert geologists, sifting masses of exploration data to identify mining prospects is tedious, time-consuming and costly.

The initial step in securing a new site is to "peg" an area of land for which mining companies pay a charge to the government. Geologists have a fixed time to decide whether it should be developed or returned.

"Time and accuracy are of the essence," says Daneel. "Geologists need to move quickly to collect and analyse data from a range of different surveys before they can identify drilling targets. With the industry's increasing dependence on remote sensing methods, the amount of data being generated is reaching astronomical proportions."

The process of analysing data from a 300sq mile plot can easily tie up a team of geologists for six months and cost more than $100,000. Typically, the team will pore over at least six sets of surface survey data covering airborne geophysics, topography, gravity, ground geophysics and geochemistry information. These sets of data are plotted and examined on a light-table.

Even conventional computers are unable to display simultaneously all the data for interpretation and so-called expert systems rely heavily on subjective opinion.

"A different approach was needed to solve these complex problems," says Nick Ryman-Tubb, chief executive of Neural Technologies.

Prospect Explorer runs on an ordinary personal computer and can quickly highlight areas of potential interest. The geologists use interrogation techniques and search-facilities to look deeper for detailed information to analyse. Using Prospect Explorer is up to 50 times faster than manual methods for analysing survey data, says Ryman-Tubb.

"Straits Resources is one of the first mining companies in the world to adopt neural computing technology in an effort to improve efficiency and reduce costs," says Brian Rear, Straits' chief executive.

Paul Taylor

IT in action

Families and their PCs

Personal computers are altering how families interact with each other, with far-reaching and often positive results. This is among the main findings of a survey of 1,000 PC-owning US households, conducted by Roper Starch Worldwide for Lexmark International, the US printer manufacturer.

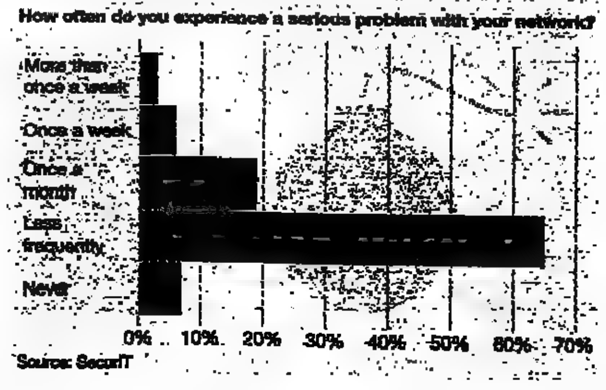
Nearly three-quarters of parents agreed that using a PC had helped their children become more creative, and 48 per cent said their children would not have done so well at school if they did not own a PC. Some 42 per cent of parents also reported that their children now watched less television.

Keeping in touch with family and friends was one of the most frequently mentioned uses for home PCs. Some 63 per cent of respondents with Internet connections agreed they were better able to stay in contact.

Lexmark Report on Computing and the American Family. Contact: John Shotwell, tel US 606 232 7652

Network problems

How often do you experience a serious problem with your network?



Source: SecurIT

Systems need support

Corporate computer networks run an increasing number of "mission critical" applications, but a survey by SecurIT, Securicor's computer services company, has highlighted several problem areas. Initial findings from the annual study of UK companies reveal that nearly 10 per cent of the 600 respondents experienced serious network problems once a week. A further 19 per cent suffered similar problems at least once a month.

The problems are occuring in spite of nearly two-thirds of the organisations which took part having dedicated network support staff.

Contact: Bob Garrett at SecurIT, tel UK (0)181 770 7000.

Strategies for the Net

Business people are constantly warned that if they do not use the Internet their company will go out of business. That may be a possibility, but for only a few companies, says a new guide to business on the Net.

Rather than rushing to create a presence on the Net, companies should draw up a suitable strategy, it says. That might mean establishing a big Web site, or just using e-mail more effectively. The guide is intended as background for subscribers to a new monthly newsletter, Net Profit, which aims to tell UK businesses how to make the most of the Net.

Contact: Janet Robson, tel UK (0)181 355 8636, fax (0)181 299 0366.

Column compiled by Andrew Baxter. Comment or information can be faxed to UK (0)171 873 3196 or e-mailed to infotech.page@FT.com.

Television/Christopher Dunkley

The do-it-yourself revolution

What was it Andy Warhol said – that we would all be famous for 15 minutes? But he, of course, the dear old-fashioned thing, was speaking before the invention of the Internet or digital television, and when cable and satellite were scarcely gleams in their inventors' eyes. If the expansion of the electronic mass media continues at its present rate then the day cannot be far away when each of us will have to be famous for a lot longer than that just in order to fill the available space/time. Already in terrestrial television (even though the trashy wastelands of the new technologies are making terrestrial broadcasting look increasingly like the couture end of the business) more and more "ordinary" people are featuring in "personal point of view" programmes.

One of the reasons for this is another television advance, not in the transmission but in the production process. The days of the seven-strong film crew have gone, and footage of broadcast quality is now routinely shot on video cameras with built-in sound systems, operated by one person. For two years the cable station Channel One has been training "VJs", video journalists, one-man bands, many of them female, who tote the camera/sound system around with them, set it running on a tripod, and nip round the front to do the presentation and interviewing.

Even more significant, perhaps, is the development of *Video Nation* and *Video Diaries* on BBC2, the first providing one-minute inserts for the network about the lives and attitudes of scores of people around the country, the second supplying full length programmes shot by non-professionals on modern lightweight equipment lent by the BBC.

You might expect that one effect of the do-it-yourself revolution would be to produce more indulgent and flattering programmes, yet that does not seem to be happening at all; rather the reverse. Perhaps it is simply the effect of the modern craze for the warts-and-all portrait, as typified by the *Secret Lives* series on Channel 4 which this week demythologised Douglas Bader, but autobiographical programmes seem on the whole to be even tougher on their subjects than the conventional sort. That is not to say that conventional methods can only produce panegyrics (though there was an unforgettable example of this recently in *The Trial Of Kevin Maxwell* on BBC1).

Anybody who watched the recent episode of Channel 4's *Women At Play* series about someone called Jibby Beane will have seen how ruthless professional producers can be, and will surely have wondered whether the woman had any idea how shallow and ridiculous she would look. Since she came across as an art and fashion luvvie of the most superficial sort, tottering around on Vivienne Westwood platforms, screaming with false sounding laughter and shrieking "Darling!" at anything that moved, it may be that, for her, exposure is all – her 30 minutes of fame is all that matters – and she simply does not care what the viewing public think. The point is that this was an example of conventional programme making (producer and director both female, incidentally).

So too were the programmes *Modern Times* and *Enterprise Culture Revisited* which were shown consecutively on BBC2 last Wednesday. Each dealt with a man who had surfed the crest of the Thatcher wave and now found himself washed up on the beach with the tide going out. Keith Sinclair used to make horse boxes and, by his own reckoning, was outstandingly good at it.

One of the difficulties with this sort of programme is that the viewer has no way of estimating the soundness of that kind of claim. Yet some may have concluded, after noting Sinclair's temper, resentment, and readiness to believe endless fairy-stories about a cheque being in the post, that this was not a man in whose business they would rush to invest. Such is the power of this sort of television portrait.

The following programme was almost as strong even though the subject, Ken King, had chosen not to participate. Last week's programme carried on the story from a 1989 programme (in which King did co-operate) explaining how he tried to turn Avebury Manor into a Tudor theme park without ensuring that he first had all the necessary planning permission. The up-dating showed how a combination of middle class opposition and red tape had scuppered King and simultaneously dashed the hopes of the village's working class for jobs in the theme park. The subtleties and ironies in the class war – rough diamond King welcomed visits from the workers of the village as no previous lord of the manor had – were among the strongest aspects of the programme. What was most remarkable, however, was that it hardly seemed to be weakened by the refusal of its main subject to co-operate. You were left in no doubt about King's personality.

On the other hand there was considerable doubt about the character of C.M. Hardt, the woman responsible for this week's *Travels With My Camera* on Channel 4 on Sunday, even though she made her own programme. She told us she came from New York, of a Spanish immigrant family, and we gathered that, as a member of the Oprah Winfrey generation, she believes not only in letting it all hang out, but in pulling out everyone else's as well. This was particularly true of the mystery surrounding her grandfather's death in El Valle, Spain, in 1948. Having sub-let her flat and bought a camera, she went to El Valle and started asking questions, establishing fairly easily that her grandfather had been shot by the police. The question was: who betrayed him?

The programme's real fascination came from the slow realisation that C.M. Hardt was a bit of a blundering ninny, and was telling us so. Her amazing 97-year-old great grandmother just kept repeating "How should I know?" in response to all questions and went to her grave during the course of the filming without giving anything away. Other members of the grandfather's generation spoke to the camera – as people generally seem to feel obliged to do these days – though without revealing anything. It fell to an uncle, who had grown increasingly impatient with the making of the programme, to point out that his generation did not want these old wounds re-opened because, if that happened, they might feel obliged to go and take revenge for that 50-year-old betrayal.

Suddenly you saw how this New York sprig of a Spanish family was stomping her great 1990s boots all over a fragile and delicately preserved system of social and ethical checks and balances which had existed in that hill village for generations. You may be able to go back, but if emigration has deprived you of the code then, however much you may be tolerated and even welcomed, you will not entirely fit in. And who was telling us this? The subject herself. We can hardly expect every 15 – well, 60 – minutes of fame to be as revelatory as this, but we must expect more of it.

Flawless: Elisabeth Platel and Charles Jude in 'Apollo'

Ballet in Paris/Clement Crisp

Balanchine refreshed

The latest ballet programme at the Palais Garnier might really be called "Balanchine refreshed". Its matter is four of those masterworks in which Balanchine responded to Stravinsky – an affinity, I think one must call it, without rival in our century's artistic history.

Apollo was its starting point in 1928, and in this score Balanchine, most musical of choreographers, found his creative future. The masterpieces made for New York City Ballet from 1948 onwards, culminating in the outpouring of ballets for the 1972 Stravinsky festival, are its great summation. The works that came between are varied and, quite simply, stunning to eye and heart and mind. They are also now part of the *lingua franca* of ballet world-wide. The trouble with such popularity, and with the inevitable reverence felt by dancers and audiences toward such creations, is that they become too sacred for their own good. Their life becomes frozen in care and concern for the text. Their impulse (and they have a motor energy that is always exhilarating) is endangered by thoughts about text or "style". Scrupulously done, they can look unlived-in.

How good then to report that in this latest programme, the dancers of the Paris Opera Ballet do not seem over-awed. They dance Balanchine because, clearly, they love what they dance, but they also seem intrigued by what they find. They are delighted by his wit, are eager to show us the varied facets of what they dance. In a programme ocmprising *Apollo*, *Agon*, *Capriccio* and *Violin Concerto*, casts looked alert and on spanking form. They also looked as if they were happy to show off – in the nicest sense of the word – revealing their own gifts as they revealed Balanchine's gifts of choreography to them.

Apollo started the evening, and I was worried. For inexplicable reasons, Vello Pahn – conducting throughout the rest of the evening with the right rhythmic tautness – decided to show a link between Stravinsky and Massenet. For the opening bars, there was not a pulse to be discerned, and anaemic sweetness and charm were abundantly on offer. Charles Jude, a superlative Apollo, triumphed nonetheless, but it was not until the Muses had entered upon their solos that the score became itself. Jude radiated authority and a divine innocence. Elisabeth Platel's Terpsichore appeared to him as the very spirit of classic order and grace. Her dancing was, like his, impossible to fault: an early arabesque seemed to hang in the air, perfect, eternal. The other muses – Clotilde Vayer, Karin Averty – caught the implied drama of their solos (never has failure seemed more fascinating as they fudged their chances of being Apollo's handmaidens), and the ballet ended, as it should, like a sunburst.

Agon was nearly, if not quite, taut enough (Fanny Gaida and Jose Martinez very fine in the duet), but *Capriccio* had a zip and a brilliance that matched the bright glow of its ruby costumes. Isabelle Guérin and Agnes Letestu were the leading women – uncompromisingly and stunningly in command of each step and facet of their dances – and Manuel Legris, determined to outshine every previous interpreter of the male role (and these include Baryshnikov and Edward Villella) showed how he can be wittier, punchier, faster and more street-wise than the rest. Blazingly good.

The sense in which the Opera dancers found themselves in these ballets as they donned their Balanchine identitites, was no less convincing in *Violin Concerto* (Maxim Tholance, the soloist, providing a beautiful and sophisticated account of the score). It is a work which touches on many of the choreographer's concerns, emotional (as in the two mysterious arias) and dynamic (in the energy and speed called for from the corps de ballet). Only in Marie-Claude Pietragalla's over-dramatic view of the first aria (where Karin von Aroldingen, the role's creator, kept her emotion and her dance on a tight rein) did "personality" defeat the dance. In all else, the ballet looked as bold and sharply itself as it should. A memorably fine programme, memorably well danced.

In repertory at the Palais Garnier, Paris.

Theatre/Ian Shuttleworth

Arabian Nights meet Star Wars

Alan Ayckbourn openly acknowledges the debt which his family Christmas show owes to George Lucas. *The Champion of Paribanou* is equal parts *Arabian Nights* and *Star Wars:* Grand Viziers and flying carpets on the one hand, mysterious beings with glowing eyes and comically malfunctioning androids on the other. In fact, the robot character Salim more or less sweeps the Lucasian board: he looks like Darth Vader, but behaves somewhere between R2D2 and Chewbacca the wookie (and, for added bonus SF value, talks like a Dalek). Just about the only ingredient missing is that fights are conducted with good old fashioned swords rather than lightsabres.

However, since the story of *Star Wars* is faithful to the same tropes as all great tales, it should come as no surprise that in two hours we cover the corrupting effect of power, the conflict between personal feelings and higher duties and the victory of the determined young underdog, as well as a little byplay involving gender roles and the importance of believing in oneself. Nor does Ayckbourn shy away from the more shadowy aspects of tales of yore.

Not to give too much away, the story deals with the thwarted love of Ahmed (Jonathan McGuinness), the sultan's youngest son, and his childhood sweetheart Murganah (Pauline Turner), and with Ahmed's quest to rid the land in general and his household in particular of an ancient evil now reawakened.

Ayckbourn's direction at times shows a slightly awkward Disneyfication: performances seem to owe more to animation than to theatre, as with Adrian McLoughlin's habitually bustling Grand Vizier or Kate Farrah's bland Paribanou, a character who has little function other than to provide a cause in which Ahmed can be enlisted. More than counterbalancing this, however, is a sprightly staging with fine smoke-laden special effects and a lethally excessive use of the Stephen Joseph's system of stage trucks.

The script also demonstrates a sharp acuity in inserting just enough gags tailored for the grown-ups. The school parties grew restive only during a couple of lengthy speeches; Ahmed and Murganah's early kiss was greeted by only a single young "Yeuk", and such chatter as there was consisted largely of engrossed second-guessing of what might be about to happen – all of which amounts to a seal of young approval.

At Stephen Joseph Theatre, Scarborough, until January 4 (01723-370541); times vary.

A lonely, love-hate relationship

If you want an evening away from tinsel and glitter you could do far worse than spend it in the curmudgeonly company of Truman Capote. I say Truman Capote; of course, the man who appears on stage in *The Truman Capote Talk Show* is in fact Bob Kingdom *playing* Truman Capote – but his impersonation is so convincing that before long you really believe that the gossipy old novelist is addressing you from beyond the grave.

Kingdom's skill is remarkable; he has a Southern drawl, the reptilian eye and the searching tongue all perfected; and from the moment he makes his entrance, one purple-socked-shiny-shoe peeping out from behind the curtain, he has the audience spellbound. Kingdom's script gives us a fascinating and contradictory picture of the writer: he appears pitiable and admirable, charming and repellent, vain and self-knowing in equal measure.

But while Kingdom darts back and forth through Capote's life, from his lonely childhood through his rise to fame and his descent into depravity, he also touches on other themes. The piece is resplendent with witticisms and anecdotes – Capote gloats as he recalls throwing the biggest ball New York society had ever seen and "forgetting" to invite Dorothy Parker, and grimaces as he remembers the Alabama relatives "whose sole purpose in life was to let it pass them by".

But it also has a more serious side. In charting Capote's love-hate relationship with society, Kingdom reflects on the shallow nature of fame and popularity. And, in baring Capote's core loneliness, he dwells on the isolation of the artist and the relationship between creativity and self-destructiveness.

This is clearly a subject that fascinates Kingdom – the show is presented in repertoire with his other hit monologue, *Dylan Thomas; Return Journey*. And Kingdom includes mischievous cross references between the two: Capote tells us that the hotel opposite his apartment where he once stayed, having been too drunk to get across the road, was the establishment that had also forcibly ejected Dylan Thomas for being "too interesting for his own good". If Bob Kingdom intends to pursue his career with more solo shows about badly behaved writers, he should have no shortage of material.

Sarah Hemming

Lyric Studio, Hammersmith, London W6 until January 11 (0181 741 2311).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Koninklijk Concertgebouworkest: with conductor Riccardo Chailly, violinist Jaap van Zweden, soprano Sarah Leonard and the Prague Philharmonic Choir perform works by Wagemans, Bartók and Varèse; 8.15pm; Dec 13

EXHIBITION
Joods Historisch Museum Tel: 31-20-6269945
● Joden in Berlijn: this exhibition of works from the collections of the Jewish Museum and the City Museum in Berlin focuses on the Jewish community in Berlin. Among the highlights is a portrait of Walther Rathenau (1867-1922) by Edvard Munch; from Dec 13 to Apr 1

■ CINCINNATI

EXHIBITION
Taft Museum Tel: 1-513-241-0343
● Romance and Chivalry: History and Literature Reflected in Early 19th-Century French Painting: this travelling exhibition explores the influence of post-classical history and literature on French painting in the first half of the 19th century. Featured are 51 paintings by 26 artists, including J.A.D. Ingres, Eugène Delacroix, Paul Delaroche, Alexandre-Evariste Fragonard, Ary Scheffer, and others; from Dec 13 to Feb 9

■ COPENHAGEN

CONCERT
Det Kongelige Teater Tel: 45-33 69 69 69
● Christmas Oratorio I-III: by J.S. Bach. Conducted by Dietfried Bernet, performed by the Royald Danish Orchestra and the Royal Danish Opera Chorus. Soloists include Inger Dam-Jensen and Randi Stene; 8pm; Dec 12

■ DENVER

EXHIBITION
Denver Art Museum Tel: 1-303-640-2793
● Yesterday and Today: Traditional Bronze Sculpture of Rural India: an exhibition of Indian folk art that, through the process of metalwork, reveals the Indian philosophy of life, nature, and the gods. About 70 objects are on view; from Dec 14 to Dec 1997

■ DRESDEN

EXHIBITION
Albertinum Tel: 49-351-4953056
● Das Zeitalter Tiepolos: at the centre of this exhibition devoted to 18th century Venetian graphic art are works by Giovanni Battista Tiepolo, including his series "Scherzi di Fantasia" and "Vari Capricci". Other artists represented include Giovanni Battista Piranesi, Luca Carvelijs, Canaletto, Michiele Marieschi and Bernardo Bellotto; from Dec 14 to Feb 16

■ LISBON

CONCERT
Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131
● Orquestra Gulbenkian: with conductor Michael Zilm perform works by Berlioz and Schubert. Soloists include viola-player Jaime Laredo; 9.30pm; Dec 12, 13 (7pm)

■ LONDON

AUCTION
Sotheby's; Parke Bernet & Co. Tel: 44-171-4938080
● Works of Art from the Gutzwiller Collection: sale featuring objects from the collection of the international banker Ernst Gutzwiller (1891-1976). The works of art to be sold are among those purchased by Gutzwiller for his Hôtel Particulaire in Faubourg St. Germain during the 1940s and 50s; 2.30pm; Dec 12, 13 (10am)

CONCERT
Barbican Hall Tel: 44-171-6384141
● Katia and Marielle Labèque: the pianists perform works by Mozart, Debussy and Ravel; 7.30pm; Dec 12
Royal Festival Hall Tel: 44-171-9604242
● Maurizio Pollini: the pianist performs works by Beethoven; 7.30pm; Dec 13
Wigmore Hall Tel: 44-171-9352141
● Barbara Bonney: performance by the soprano, accompanied by pianist Malcolm Martineau. The programme includes works by Mozart and Strauss; 7.30pm; Dec 12

EXHIBITION
Royal Academy of Arts Tel: 44-171-4397438
● Alberto Giacometti (1901-1966): major exhibition of works by this Swiss artist. Over 200 sculptures, paintings and drawings give a survey of his entire career from his early interest in cubism and abstraction, and his experiences with "kinetic" sculpture, to his creation of more figurative sculpture and his lean standing figures which began to appear in the 1940s; to Jan 1

JAZZ & BLUES
Queen Elizabeth Hall Tel: 44-171-9210600
● Stan Tracey 70th Birthday Concert: concert on the occasion of the 70th birthday of the British jazz pianist and composer. A solo piano to 15-piece orchestra survey of Stan Tracey's career from 1943 to 1996, featuring Bobby Wellins, Peter King, Art Theman, Gerard Presencer and many others including the new Stan Tracey Septet; 7.45pm; Dec 13

THEATRE
Barbican Theatre Tel: 44-171-6384141
● Troilus and Cressida: by Shakespeare. Directed by Ian Judge, performed by the Royal Shakespeare Company. The cast includes Joseph Fiennes, Victoria Hamilton and Katia Caballero; 7pm; Dec 13, 14 (also 1.30pm)

■ MADRID

CONCERT
Fundación Juan March Tel: 34-1-4354240
● Maria Aragón and Fernando Turina: the mezzo-soprano and pianist perform works by Franco, Abril, Coria, Guastavina and others; 12noon; Dec 14

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Chamber Music Society of Lincoln Center: with conductor David Shifrin perform works by J.S. Bach; 5pm; Dec 15
Avery Fisher Hall Tel: 1-212-875-5030
● New York Philharmonic: with conductor Kurt Masur and viola-player Yuri Bashmet perform works by Stravinsky, Schnittke and Mussorgsky/Gorchakov; 8pm; Dec 12, 13 (11am)

■ PARIS

CONCERT
Cité de la Musique Tel: 33-1 44 84 45 00
● Richard Goode: the pianist performs works by J.S. Bach, Chopin, Brahms and Beethoven; 8pm; Dec 14
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Moscow Virtuosi: with conductor/violinist Vladimir Spivakov perform works by Albinoni, Pärt, Shostakovich and Tchaikovsky; 8.30pm; Dec 13

EXHIBITION
Musée d'Orsay Tel: 33-1 40 49 48 14
● De l'impressionisme à l'Art Nouveau: this exhibition features a selection of works acquired by the museum in the 1990s. Ranging from Impressionism to Art Nouveau, the display includes works by such artists as Daumier, Bonnard, Carpeaux, Maillol, Burne-Jones, Whistler, van de Velde, van Gogh, Vallgren, Kupka and others; to Jan 5

■ TOKYO

CONCERT
Suntory Hall Tel: 81-3-35849999
● Japan Philharmonic Symphony Orchestra: with conductor Lukacs Ervin, cellist Tsuyoshi Tsutsumi, soprano Yukie Okura, mezzo-soprano Kazuko Nagai, tenor Ken Nishikiori and the Shin-Yu-kai Choir perform works by R. Schumann and Mendelssohn; 7pm; Dec 12, 13

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CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Ian Davidson

Eternal warm-up

Differences between the main participants at the Dublin summit will delay the reform of the European Union

In the old days, in the sheet music of popular songs, you would often find the piano was given a couple of bars of warm-up introduction to prepare the audience and the singer. Rum-tum-tum-tum, Rum-tiddly-um-tum, Rum-tum-tum-tum, Rum-tiddly-um-tum, and so on.

It tended to be simple stuff which could be kept going indefinitely. And at the start of the score, you would usually find the magic words: "Till Ready".

"Till Ready": these are the words which should be inscribed at the top of the agenda of Friday's European summit in Dublin.

The Dublin summit is supposed to be a landmark session in the intergovernmental conference (IGC) negotiations for reforming the European Union. The Irish hold the presidency of the European Union and Mr John Bruton, the Irish prime minister who is thus in charge of this phase of the negotiations, has circulated a long list of proposals which he hopes will concentrate the minds of the negotiators. The German chancellor and the French president this week held their usual bilateral pre-summit meeting to co-ordinate their views and circulate a long text of their own. The stage should be set for a big diplomatic event.

Unfortunately, there is an air of unreality about these diplomatic warm-ups, because everybody knows nothing much is likely to happen in Dublin. There is still far too little meeting of minds between the main participants over what this summit is for and what it is meant to achieve. And the UK government remains at odds with most of the others over anything to do with the EU.

Ostensibly, the main declared purpose of the intergovernmental conference is to make changes to the constitution of the EU which would make it possible for the Union to take in all 10 applicants for membership from eastern Europe. This must mean a radical streamlining of EU institutions if a Union of 27 states, encompassing a vast diversity of economic and political development, is not to be paralysed by weight of numbers and conflicts of interest.

Most of the member states believe the minimum institutional reform needed to make a mega-Union work would be more and easier majority voting in the Council of Ministers. But negotiations on the majority voting issue will rapidly turn into an argument over the relative voting weights of member states.

The small members have far more voting weight in relation to their population than the big member states. Since most of the east European candidates are small, this small-country premium will have to be revised before the Union is further enlarged.

But the technical argument over voting weights will lead directly to a fundamental debate over the nature of the relationship between member states and the Union. In short, the debate over majority voting will turn, in two quick strides, into a debate over whether Europe needs more or less federalism.

It should be both exciting and instructive; for we shall learn whether the member states are really prepared for enlargement into eastern Europe. But we shall not learn this at the Dublin summit, because the Irish have decided to leave the majority-voting issue off the agenda. Why? Because John Major, the UK prime minister, has made clear he will oppose any significant increase in majority voting.

In fact, Mr Major's government opposes virtually all the reforms advocated in the intergovernmental conference by the other member states. But since majority voting is judged by the Irish government to be the most controversial and difficult issue on the agenda, it will be among the last to be settled.

The Irish have decided to hand this explosive issue on to the Dutch who will be managing the negotiations during the first half of next year. It will thus be on the agenda for the Amsterdam summit in June which member states have set as the date for winding up the IGC.

Similarly with the other big constitutional issue, the idea of a so-called "flexibility clause". France, Germany and other members have proposed that if an inner group of countries wants to integrate more closely than the rest, they ought to be allowed to do so. But Mr Major has rejected this kind of flexibility; so this issue is also being held off the Dublin agenda, to be handed on to the Dutch.

There is thus only one really solid issue on the intergovernmental conference agenda that will face the summit: the proposal that the EU should extend its scope to cover visa, immigration and asylum policy. But this, too, is totally rejected by the UK – despite support from most other member states. One can see why the French foreign minister has complained that not enough is being done to push the IGC agenda along.

No doubt the Irish have their own reasons for not wanting to isolate Mr Major too spectacularly at the summit – not least the importance of the relationship between London and Dublin in bringing peace to Northern Ireland.

But it is not clear whether postponement of the most difficult issues will improve the chances of a satisfactory conclusion to the intergovernmental conference or make it more difficult. The UK government has virtually no leeway in parliament to negotiate over the issues and reach compromises with the other member states.

If the Dutch followed the Irish logic, the intergovernmental conference would go on hold until the end of May, after the election of a new British government. That would mean another five months of "Rum-tum-tum-tum, Rum-tiddly-um-tum, Rum-tum-tum-tum, Rum-tiddly-um-tum" – with no guarantee that anyone in the UK will be Ready even then.

All smiles: but will Major and Bruton agree in Dublin?

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

No secret drinking at Christmas

From Mr Frank Haigh.

Sir, Lucy Kellaway's item in her column "The corporate spirit of Christmas" (December 9) took me back 30 years or more. I was then employed by a Canadian government agency engaged in classified projects. Each year, the chief circulated a letter with the usual Christmas greetings. The last two paragraphs read:

"I take this opportunity to remind all staff that the consumption of alcoholic beverages on federal government premises is not permitted.

"Please do not dispose of empty bottles in Secret Waste burn bags."

On another matter, I find it droll indeed that Bill Hall, former editor of the Observer column, whom I have had the pleasure of meeting, became William Hall once he started submitting from Zurich.

Frank Haigh,
19 West Park Drive,
Ottawa, Ont, K1B 3G6,
Canada

'One-size' monetary policy not likely to fit all economies in EU

From Ms Ruth Lea.

Sir, I read with amazement the Lex column entitled "Rushed money" (December 9) in which the author seemed to be grossly underestimating the potential damage to the UK economy of, in his words, the "one-size-fits-all" monetary policy. This is mainly because one size is highly unlikely to fit all. The size that may fit Continental economies is unlikely to fit the British.

As we all know, one of the main implications of Emu is that the UK will no longer be setting its own short-term interest rates according to its own economic requirements. Instead we will have the European Central Bank setting rates for the whole of the Emu bloc. So far, so good – if we can be sure the rate for the whole Emu bloc will be "reasonably" appropriate for the individual national economies within the bloc.

Alas, a single rate that is likely to be "reasonably" appropriate for the economies of continental Europe (though some commentators suggest that there isn't one) is highly unlikely to be appropriate for the UK. Not only does the British business cycle lead the European cycle, but also the British economy is much more sensitive to short-term rates than our Continental partners. And if the wrong rate is imposed then the macroeconomic stability of the British economy would, of course, be seriously threatened. If rates were too high then we would be stuck in recession; if rates were too low then we would suffer from overheating and inflation. Neither of these options is a suitable background for British business to flourish.

Now I am aware that Lex implies that the solution to such problems is a sufficiently flexible labour market and that Britain may even have such a market. Far be it from me to decry the functioning of our labour markets, but this seems to be stretching belief too far. For example, our labour market flexibility could not prevent the continuing pain of recession in the first nine months of 1992 when we were still in the ERM (prior to the blessed relief of "Black Wednesday"), and there is no reason to believe that it could if we were suffering recession in Emu.

Ruth Lea,
head of the policy unit,
Institute of Directors,
116 Pall Mall,
London SW1Y 5ED, UK

Governments hinder wealth creation

From Mr Douglas C. Prewer.

Sir, I am amazed at your comment, in your editorial "In proportion" (December 10), that "the striking aspect . . . is . . . how little the absence of government has mattered".

I have always felt that governments do nothing but hinder, to a greater or lesser degree, the efforts of the individual to make money through trade.

I will single out just two recent instances from so many over the last 150 years of how government dampened wealth creation – the 48-hour working week directive from Brussels, together with the minimum wage.

The latest OECD report in November simply said: "They hit job and therefore wealth creation, and should be avoided."

Margaret Thatcher recognised the intrinsic fault lines, and the resulting detrimental impact on British business, of a centrally-controlled European bureaucratic empire so beloved by Edward Heath.

I am heartened to see that at least one wealthy businessman has put his earned wealth on the line to try and secure our children's standard of living.

Douglas C. Prewer,
1C Seebird Lane,
Beach Village,
Discovery Bay,
Hong Kong

Caught on copyright

From Mr Anthony Rentoul.

Sir, In Edward Whitehouse's transcript of a simulated question and answer session ("Copyright and the Internet" December 9), he rightly tells his interlocutor that, yes, it is a breach of copyright to photocopy cuttings from the FT to show colleagues and customers; and he adds that the infringer "could be hearing from the FT's syndication department".

In fact, the tortfeasor is more likely to be hearing from the Newspaper Licensing Agency, the collecting society set up to issue licences, on behalf of nearly all national newspapers, to legitimise photocopying or, if needs be, enforce the publishers' copyrights. We take a more sympathetic line towards those who approach us for a licence than against miscreants caught *in flagrante delicto*.

Anthony Rentoul,
chief executive,
Newspaper Licensing Agency,
17 Lyons Crescent,
Tonbridge,
Kent TN9 1EX, UK

UK not threatened by cost of EU pensions

From Mr Brendan Donnelly MEP.

Sir, Toby Eckersley (Letters, December 10) fears that imprudent member states within Emu may coerce the UK into assuming their unfunded pension liabilities "by the relevant qualified majority vote". This fear is misplaced.

Article 104b of the treaty, which provides that "the Community shall not be liable for or assume the commitments of central governments", can only be changed by unanimous vote. It is difficult to imagine any British government's acceptance of such a change.

Nor would the UK be alone in its unwillingness to abandon the "no bail-out" clause. Government expenditure is a seamless web, going well beyond pensions. I detect no enthusiasm, for instance, in France to subsidise Greek defence spending; or in Germany to finance the Italian health service.

Article 104b reflects, and will continue to reflect for any foreseeable future, the economic and political reality of national budget-making under Emu.

There is no threat whatsoever from Europe to the long and prosperous retirement that we all wish Mr Eckersley.

Brendan Donnelly,
MEP for Sussex South & Crawley,
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UK

Referendum reasonable

From Mr Roger Billis.

Sir, Your editorial "Silly question" (November 29) derided Sir James Goldsmith's proposed question for a referendum on Europe.

In fact, the question posed by Sir James is similar to the remarks of Mr Jacques Santer on the "moment of truth" on Europe.

The latter said: "What is the point of Europe? Is it the political project we all [sic] joined from the word go or is it a vast free trade area?"

What could be more reasonable than a referendum on this fundamental choice?

Roger Billis,
5 Maxwell Road,
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UK

Tiger on the Baltic

Estonia has visions of becoming a mini-Hong Kong, reports Matthew Kaminski

There was not much to distinguish Narva from Ivangorod until a border post went up. As the Soviet Union collapsed in 1991, Ivangorod became Russian and Narva Estonian. Then the adjoining towns' fortunes diverged.

Smart-looking banks, colourful shops and even a tourist information centre now grace Narva's streets. Ivangorod offers a primitive open-air market and a single musty office of Sberbank, the Russian savings bank. Narva residents, virtually all ethnic Russians, earn on average twice as much than their kin over the bridge in Ivangorod.

"Ivangorod is a sad place, but my friends in Narva never complain any more," says Ms Elena Smirnova, an unemployed teacher, speaking outside her crumbling house in Ivangorod. "Their quality of life is much higher."

The contrast illustrates the post-Soviet economic story. Estonia's sharp turn to free-market policies brought prosperity far more quickly than Russia's chaotic efforts to reform.

The northern Baltic country has been guided by the principle of purging nearly every legacy of Soviet rule. "Estonians have this great inferiority complex," says Mr Joakim Helenius, chairman of Hansa Invest, a small investment bank in the capital Tallinn. "They desperately want to catch up."

And catching up they are. Expanding tourism, banking and trade have fuelled three years of economic growth. For now, the growth is a modest 3 per cent a year but Mr David Hale, chief economist at Zurich Kemper Investments in Chicago, who visited the country recently, believes the official statistics do not take adequate account of Estonia's fast-growing service sector. Some Estonians are already predicting their country will be the first post-Soviet "tiger" economy, and Mr Hale sees it as a future "mini-Hong Kong" – a small, liberal entrepot on the borders of a giant Russia.

Signs of prosperity are everywhere. Small businesses and a middle class are thriving in Tallinn, a busy Baltic sea port.

Estonia embraced radical economic policies from the start. Six months after the Soviet Union collapsed, the kroon, controlled by a currency board and backed up by hard currency reserves, replaced the rouble. It has been fixed against the D-Mark for four years.

Import duties were abolished. Numerous Soviet-era regulations disappeared. Foreigners were permitted to buy land. A flat 26 per cent personal income tax was introduced. A bankruptcy law was quickly put in place.

> The long queues of lorries at the border in Narva show how much Estonia's 1.5m people depend on the 150m Russians next door

Corruption is not a severe problem and investors appreciate the stoical dedication of the Estonians to work and efficiency. Foreign investment flows into Estonia are eight times higher per capita than into Russia. In eastern Europe only Hungary and the Czech Republic have done better.

A bold privatisation programme is under way. Although local capital is scarce, there is little hostility to foreign ownership of Estonian assets. Three-quarters of state-owned companies have already been sold and the electricity, gas and telephone companies, as well as the port and the railway network, are expected to be sold by tender to foreign buyers next year.

The banking sector, a problem elsewhere in the region, was straightened out early. Estonia's banking sector is "the most impressive in central Europe", says Nomura, the Japanese investment bank, in a recent report. Estonia took a Darwinian approach. When eight large banks got into trouble in 1992, the young ministers in government ignored them and allowed them to collapse. New private banks took their place.

"We were very cruel," recalls Mr Siim Kallas, who ran the central bank at the time. "But after that, everyone knew the state would not save them. So clients follow what's going on and bank managers know they are responsible for stability." The number of banks has fallen from 47 four years ago to 15 today. Weaker banks have been forced into mergers by the central bank, which has steadily increased minimum capital requirements after early criticism that its supervision was lax.

But Estonia cannot afford complacency in banking or any other sector of the economy. As negative real interest rates promote investment – particularly in real estate – economists are worried that the quality of the banks' loan portfolios will deteriorate.

A very large trade deficit – 23 per of gross domestic product last year, and growing – could put pressure on the kroon and on the free trade regime, although economists say many of the imports contributing to the deficit are of capital goods for investment projects.

Above all, Estonia's future depends on Russia. The long queues of lorries at the border in Narva to take goods in and out of Russia show how much Estonia's 1.5m people depend on the 150m Russians next door. Already a tenth of Estonian economic activity is accounted for by transit trade.

The relationship, however, remains difficult. Tallinn and Moscow have been unable to resolve a dispute over their mutual border, amid Kremlin complaints that ethnic Russians in Estonia – a third of the population – are maltreated.

Local Russians are less strident. Still, the noises from Moscow are a serious concern. With Nato looking unlikely to meet Estonia's requests for early inclusion in the alliance, the Tallinn government is pushing for European Union membership and more western investment in an effort to bolster its security. Estonia's business executives know that the country's future prosperity depends on both east and west.

FINANCIAL TIMES

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Wednesday December 11 1996

China and the WTO

Ten years seems quite long enough for negotiations on China's membership of the General Agreement on Tariffs and Trade and then the World Trade Organisation to have dragged on. They must not be extended forever. But the question confronting China and its partners is whether a swift conclusion on the right terms, however desirable, is also feasible.

There are three reasons for optimism. The first is the more positive attitude of the US towards its relations with China. The second is the agreement at last month's summit of the Asia Pacific Economic Co-operation forum, between US President Bill Clinton and China's President Jiang Zemin, to push ahead with negotiations.

The third and most important is the concrete steps being taken by China itself. The package of further trade liberalisation measures announced at the WTO ministerial meeting in Singapore by China's assistant minister for foreign trade, Mr Long Yongtu, is an example. This follows the country's commitment to currency convertibility on current account. Progress has also been made in bilateral negotiations on market access and at the most recent meeting of the working party on China's WTO accession.

The devil, inevitably, is in the detail. But the broad outlines of a deal are at last emerging.

China, for its part, has dropped its demand for comprehensive developing country status. It now seeks specific transition periods in sensitive areas. Mr Long is right to argue that problems as profound as re-organisation of its state-owned enterprises (SOEs) cannot be resolved overnight. But China needs to remember that a time-phased commitment to eliminate explicit and implicit subsidies to SOEs is, as is true of all the other WTO obligations, in its own long-term interests.

In turn, members of the WTO should accept China as a member, provided it offers satisfactory market access and a timetable for adopting WTO rules and obligations. Not least, the US, the chief protagonist in these negotiations, needs to abandon the outmoded ritual of annual renewal of China's most-favoured nation status. Acceptance of China as a WTO member entails willingness to abide by the fundamental principle of non-discrimination.

China's membership, albeit highly desirable, should not be permitted with anything less than a commitment to bring its policies and practices in line with those of the WTO. To accept China without that promise would store up trouble, not only with China, but with other applicants. Yet to wait until China had finished all its reforms would be no less unreasonable. The solution is membership now, accompanied by an agreed transition to full conformity with the WTO.

Gulf of errors

The UK government can hardly be accused of not going by the book in its response to "Gulf war syndrome", a range of illnesses linked to service in the Gulf. No, ministers and officials have followed the standard procedure for public health scares to the letter. Try not to apologise, try not to explain. And never, never investigate today what you can put off investigating until tomorrow.

Yesterday, nearly six years after the conflict ended, Mr Nicholas Soames, the armed forces minister, announced plans to spend around £1.3m researching the possible disease, which only a year ago he was confident did not exist. This will be welcome news to the thousand or so UK veterans who believe they are suffering from Gulf-related illnesses. But if history is any guide, it will be too little, too late.

This is not to say that the veterans' claims for official compensation will turn out to be well-founded. Medical opinion in the US and the UK is deeply divided about whether Gulf war syndrome even exists, let alone what might have caused it. But all can agree that the military made matters worse for themselves early on by dismissing the servicemen's claims rather than make a good faith effort to investigate.

Media attention has helped force matters in the US, where many still carry memories of servicemen being exposed to "Agent Orange" in Vietnam. A 12-member presidential panel has strongly criticised the Pentagon's "slow and superficial" response, recommending that further investigations of the syndrome be entirely independent of the military.

Mr Soames had an even worse credibility problem to overcome in parliament yesterday. True, the new studies of Gulf war veterans' illnesses may help establish whether a disease exists. But the conclusions will not be known for three years. Ministers would clearly be in a stronger position to rebut the critics if they had agreed to the studies three years ago, when the issue first hit the headlines.

Likewise, Mr Soames's claims that there was "really no evidence of negligence by the Ministry of Defence" would be more reassuring had he not already been forced to admit to misleading parliament about the degree to which UK soldiers in the Gulf were exposed to possibly harmful doses of organophosphates. Perhaps the "cocktail effect" of these and the many medicines taken by the soldiers will turn out to have caused some of the illnesses. Perhaps not. But after so many years dragging its feet the government owes it to the many UK veterans who are currently sick to spend more money and effort finding out.

Global account

The dramatic growth in global capital flows over the past 15 years has turned the harmonisation of international accounting standards into an urgent priority. To its credit, the International Accounting Standards Committee appears to be rising to the challenge. The decision by the Japanese to back the IASC's standards in the deregulatory package for Tokyo's Big Bang is an important endorsement for a body that is striving to put a set of core standards in place by 1998.

The Japanese have admittedly given an implicit imprimatur to the IASC since the Tokyo Stock Exchange allowed the adoption of home country standards for issuers from Singapore and Hong Kong, both of which base their domestic accounting on international standards. But the new move matters because Japan has long been regarded, along with the US, as the chief potential stumbling block to worthwhile international harmonisation. No doubt the decision over the Big Bang was taken for sound reasons of national interest relating to Tokyo's competitiveness as an international financial centre. But it would not have been possible if the IASC programme had lacked credibility.

The US Securities and Exchange Commission still has reservations about the IASC's standards, which it feels can be too open to flexible interpretation. But since the late 1980s, the IASC has been in retreat from the voluntarism that had condemned it to a peripheral role in standard setting. The SEC in effect acknowledged this change of direction with its 1993 decision to accept certain international standards for foreign issues in US markets. The European Union, meantime, has decided to back international standards, which removes the threat of a counter-productive euro-alternative.

The IASC still has much to prove, before it convinces the members of the International Organisation of Securities Commissions (Iosco) to endorse its core standards. There are continuing worries about American dominance in standard setting. But the prize, in terms of improved information on corporate activity across the world, is considerable.

There are few international organisations that achieve credibility in setting global rules without the support of treaty obligations. The outstanding example in the financial area is the Bank for International Settlements, with its capital adequacy regime. At the start of the 1990s few would have put money on the IASC joining the ranks of such bodies. Today, success cannot be taken wholly for granted, but the IASC looks a long way down the road.

The fight for rights

The traditional UK way to raise equity capital is being attacked by advocates of US methods, write John Gapper and William Lewis

In a small room on the fourth floor of BZW's headquarters by the Thames is a block of a dozen electronic screens. Most of the time, they are blank. Only a few times a year do they light up with coloured charts showing worldwide patterns of demand for a company's shares.

BZW, one of the UK's largest investment banks, would like to use its expensive technology more often. Yet there are only a few occasions when UK companies are willing to pay for a bank to auction their shares around the world – a process known as book-building. Most still opt for the reliable and time-honoured method of rights issues.

Rights issues, which involve a company offering shares at a discount to its existing investors, are enshrined in tradition and law in the UK. The "pre-emptive rights" of investors to be offered new shares in a company first are highly valued. They safeguard investors against having the value of their shares diluted by its managers.

However, pre-emptive rights are facing a serious challenge. The methods by which rights issues are carried out have been questioned by the Office of Fair Trading; directors of big companies have started to chafe at the restrictions of the system; and big investment banks have attacked what they regard as a cartel of the traditionalist merchant banks and brokers.

The traditional merchant banks and the large UK investment institutions are struggling to prevent pre-emptive rights being referred to the Monopolies and Mergers Commission. They received a boost on Friday when the Office of Fair Trading agreed to allow them a breathing space of a few months to demonstrate that rights issues were cost-effective for companies as well as their investors.

The OFT has not been examining pre-emptive rights as such, only the associated system of underwriting used in most rights issues. But if the market is referred to the MMC, most of the participants believe the whole system will be reviewed, and that could lead to a bitter struggle.

Emotions are already running high, with opponents of pre-emptive rights accusing investment funds of profiting excessively from their control over companies. "They make a quick killing out of rights issues. They cannot lose, so they are never held to account for investment decisions," says one finance director.

But institutional investors such as Mercury Asset Management believe efforts to replace the system with alternatives such as book-building are self-serving. "Let's be clear. As shareholders, we want to be charged low fees, while investment banks want higher fees," says a leading fund manager.

Pre-emptive rights offer simple safeguards to shareholders. When a company wants to raise fresh equity capital for an acquisition or for organic growth, it must find investors who are willing to buy new shares. The most obvious way of doing so is to sell them at a discount to the current price of its shares in the stock market. If it does this without any pre-emptive rights, it will in effect transfer wealth away from current shareholders to those who are buying in on fresh terms. Pre-emptive rights solve the problem by giving shareholders a choice: they can take first pick of the cheap shares or sell their options for cash to other investors.

In the traditional British rights issue, new shares tend to be offered at a 15 per cent discount to the share price on the day of the issue. The shares usually remain on sale for three weeks. Provided that the price of new shares stays below that quoted in the stock market during that time, they will be snapped up by either existing or new investors.

But if the stock market price falls below the one at which new shares are offered, they will not be worth buying and the issue will fail. To avoid that risk, companies tend to insure themselves by asking a merchant bank to underwrite the issue. For a standard fee of 2 per cent, the bank guarantees to buy the shares if the market price falls too far.

The merchant bank itself keeps half a percentage point of the fee, and pays a quarter to a broker for distributing the issue. The remaining 1.25 percentage points are paid to a group of 200 to 300 investment institutions who take on the underwriting risk from the merchant bank in the three-week offer period – a job known as sub-underwriting.

These fees have been fixed for three decades, except in rare cases such as privatisations or building society flotations. They have been applied for companies large and small, in every industrial sector. It was this fixing of standard fees in an apparently non-competitive manner that first raised alarms two years ago.

The OFT commissioned a study by Mr Paul Marsh, a professor at the London Business School, which found that the sub-underwriting fee was vastly in excess of the risks that institutions took, although Mr Marsh supported the principle of rights issues. Cases of sub-underwriters having to buy up shares at a loss – such as the 1987 British Petroleum flotation – were rare. In total, sub-underwriters had made what Mr Marsh described as an "excess profit" of £490m between 1986 and 1994.

One unusual aspect of underwriting commissions is that lack of competition does not stem from a shortage of participants. There are several hundred sub-underwriters – mostly pension funds and life assurers – in the London market, but finance directors have not exerted much pressure on their merchant banks to strike a tough bargain.

"There is no cartel in the classic sense of a smoke-filled room, but it has been in nobody's interest to break ranks," Mr Marsh says. The strongest critics of the system argue that the main reason why it has lasted is that it has benefited large shareholders. A big investor not only gains shares at a good price, but can extract sub-underwriting profits.

Despite initial protests that Mr Marsh's sums were wrong, the sub-underwriters, represented by the National Association of Pension Funds and the Association of British Insurers, have retreated. In the face of OFT scepticism, and the threat of an MMC referral, big investors declared they were willing to see commissions trimmed.

The first results of this attitude change came a month ago, when the merchant bank Schroders launched a £222m rights issue for the hotels group Stakis in which sub-underwriting commissions were partially tendered. By putting about a third of the sub-underwriting up for auction, Schroders managed to knock some £400,000 off its bill.

Mr David Challen, chairman of Schroders' merchant banking arm, says the auction was intended only as a "straightforward variation" of a rights issue, which has proved a "very effective method of providing companies with certainty and continuity in raising capital". Other similar auctions, led by Schroders and others, have followed.

This has been enough to persuade Mr John Bridgeman, the director-general of fair trading, to postpone an MMC inquiry. However, it has not damped tensions between traditionalists such as Schroders, and the large investment banks that champion alternatives to rights issues. They say the flaws of traditional rights issues go far deeper than excess sub-underwriting commissions.

One corporate financier at a US investment bank says pre-emptive rights are overly expensive because companies have to issue shares at an undue discount. He says that book-building is preferable because it allows a company to identify untapped sources of investment, and issue new shares at a higher price.

"If British companies could market their shares to a broad range of investors around the world, they could find cheaper sources of capital," the financier adds. That view is backed by Mr Amir Eilon, BZW's head of capital markets. "To say the price of shares does not matter is like saying the price of cocoa does not matter to a chocolate-maker," he says.

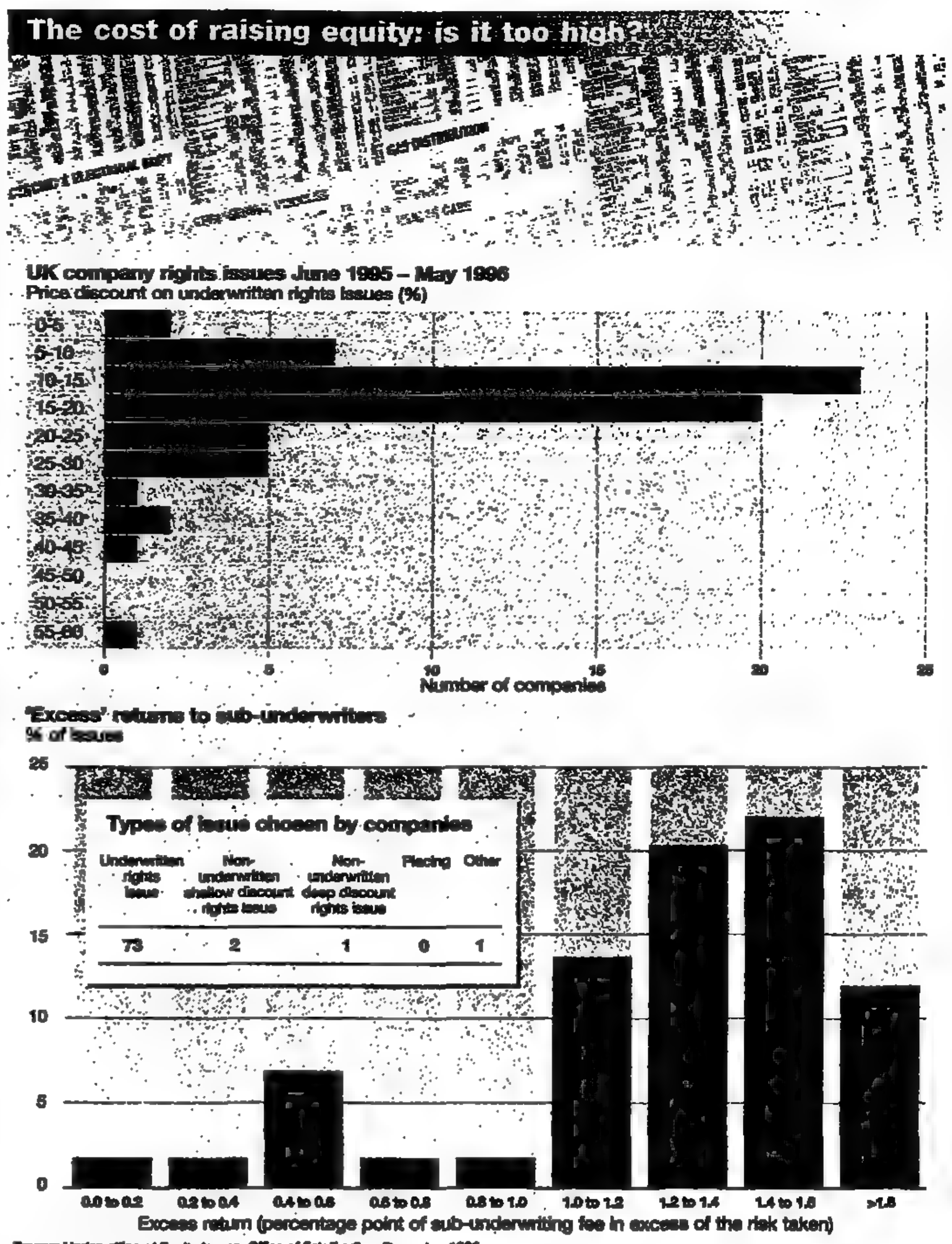
BZW has attempted to square the circle by proposing to use technology it has employed in book-building exercises for companies such as Bank of Scotland. It says it would market new shares for three weeks, finding a suitable price. Rights-holders would still have first call on the shares, provided they had bid high enough.

Organisations such as the NAPF have been open-minded about the BZW initiative but investment funds are privately sceptical. "They have not told us how much it will cost yet," says one fund manager. Another estimates that companies using book-building to issue shares in the UK have been charged between 4 and 6 per cent by the banks involved.

Supporters of rights issues insist that it is more expensive to raise equity capital in the US, where the commissions charged by big investment banks for raising new capital range between 3 and 6 per cent. They say the level of discount in a rights issue does not affect the cost of capital in itself – capital only becomes more expensive if a company fails to adjust its dividend to reflect the discount.

"If there are people out there who are willing to pay more for a company's shares, there is a stock market where they can do it any day of the week," says Mr Marsh. He argues that the erosion of pre-emptive rights in the US took place before the rise of powerful institutional investors, which would not be likely to accept such a change these days.

Yet if the fight is over in the US, it is only now picking up pace in the UK. No large UK company has ever tried to gain approval from its shareholders to suspend pre-emptive rights and such a move would probably lead to open hostilities. Whatever the outcome of the OFT inquiry, the possibility of a battle erupting can no longer be dismissed.



Source: Underwriting of Equity Issues, Office of Fair Trading, December 1996

· OBSERVER ·

Left standing at the altar

■ December is the wedding season in India. And since Indian weddings are elaborate affairs, just about everyone attends several weddings a week – including prime minister H.D.Gowda. Amid all the ceremonies and celebrations the business of government slows down to a, well, famously Indian pace.

One casualty of the season is M.S Gill who, it emerged yesterday, is to succeed T. Seshan as Indian's next chief election commissioner – the most powerful civil servant in the land. The snag is that prime minister Gowda – who just loves weddings – forgot to sign the cabinet papers confirming his appointment. Apparently the PM told Gill, currently a plain election commissioner, of his promotion in a quick telephone chat before rushing to catch a flight for a wedding in Madras.

This delicate situation has left Gill, a distinguished public servant, unable to attend weddings because he is barricaded in his house by several score of media wallahs demanding confirmation of the country's most important civil service appointment.

But Gill must keep quiet – which alone marks a significant departure from his famously talkative predecessor – until the prime minister returns home from his happy engagement. Let's hope they live happily ever after.

Tan the man

■ These are turbulent times for Lucio Tan, the Philippines' most powerful ethnic Chinese businessman and majority owner of Philippine Airlines. The threat of swingeing cuts in PAL's modernisation programme looks like a serious setback for the airline – known by local wags as Plane Always Late – which six months ago finally looked to be flying clear of trouble.

Then again, one never knows with the publicity-shy Tan, whose business empire also includes Asia Brewery – the country's second largest drinks company – and its biggest-selling cigarette brand as well as Allied Banking Corporation.

One theory is that yesterday's cuts are part of a bargaining ploy designed to show the government and unions that PAL really can't afford pay rises for its staff this year. Employees last month tried to put pressure on Tan by staging wildcat strikes in the run-up to the high-profile Apec leaders' summit in Manila.

But even without the troublesome airline, Tan has his hands full. The government is pressing for higher taxes on "sin" products such as beer and tobacco which feature prominently among his business interests.

Tan is also part of a consortium of Filipino-Chinese tycoons which last week withdrew from bidding to build Manila airport – a pet project of President Fidel Ramos. Not bad for a man who says that he likes to keep a low public profile.

Exotic drivel

■ Need Another Trip Overseas? Not an invitation for the bored business executive, merely one of the many offerings popped into Observer's suggestion box since the call went out for printable, alternative suggestions fitting any international organisation's acronym.

Inevitably, Nato comes in for a lot of stick but it's in good company. Under No Circumstances Take A Decision is ruled out as inadmissible for Unctad because the joke is nearly as old as Observer; but how about Fifa's Frequent International Freebies Arranged?

Still on a football theme, Uefa apparently specialises in Unusually Exotic Fun Abroad; an Expensive and Undemocratic EU is also targeted while everyone knows you can Only Expect Complete Drivel from the OECD.

More inspiration is clearly required before bottles of malt whisky can be despatched to authors of the best suggestions; entries ASAP to fax number 44 71 873 3926; final deadline December 31.

Beached

■ Going bust is bad for business, especially when business depends on projecting an image of wealth and glamour. So it is little wonder the powers that be in Miami are scrambling to plug the gaping hole in the city's finances that has emerged in recent weeks.

Of course Miami is not the first US city to run into dire financial straits; New York and Cleveland are examples from the dusty annals. California's Orange County only emerged from bankruptcy earlier this year after losing its municipal shirt playing in the derivatives market.

Still, a state of financial emergency is an embarrassing episode for the self-proclaimed gateway to the sunshine state. How many other US tourist traps can boast a credit rating worse than Romania or El Salvador? Enough to make a banana republican weep.

The Financial Times

100 years ago

The Cuban Question

There was a full attendance in the public gallery today to hear Mr. Cullom speak to his resolution, which was to the following effect:- "Resolved by the Senate and House of Representatives that the extinction of the Spanish title, and the termination of Spanish control of the islands which are at the gateway of the Gulf of Mexico, are necessary to the welfare of those islands and of the people of the United States." After a rapid review of Spanish history, Mr Cullom protested that a people with such a history had no just claims to participate in the control of any territorial possession in the Western Hemisphere. "Whatever may be said regarding our duty towards a friendly power, every humane heart, American or foreign, sympathises deeply with the struggle for liberty."

50 years ago

Serious Position Of The Franc

Paris, 10th Dec. To the France Soir, the former Prime Minister and Minister of Finance, M. Paul Reynaud, has expressed the opinion that the present position of the franc is serious. American prices have gone up by 17 per cent since the devaluation, French by 57 per cent.

FINANCIAL TIMES
Wednesday December 11 1996

US deficit hits record $48bn after export fall

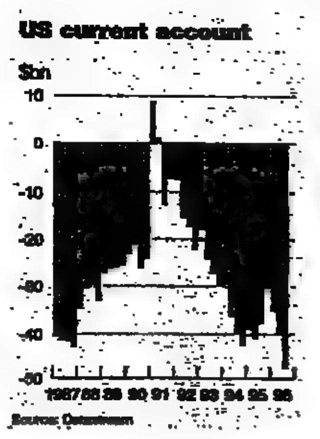
By Gerard Baker in Washington

The US current account deficit hit a record $48bn in the three months to September as the country suffered its first drop in exports for more than three years and payments from foreign-held assets in the US rose sharply.

The deficit was up 19.3 per cent from the previous quarter, seasonally adjusted, the Commerce Department said yesterday. Imports rose by 0.7 per cent to $201.5bn while exports fell by 2.1 per cent to $149.9bn, the first quarterly drop since the summer of 1993.

As a result the merchandise trade deficit also rose sharply to $51.6bn, up by 9.8 per cent from the previous quarter.

The deteriorating balance of payments reflects the continuing imbalance in the world economy, as US growth remains robust while most of the rest of the world is relatively weak. But the pace of decline may trouble policymakers since it could lead to downward pressure on the dollar, with possible inflationary implications, and domestic political calls for a tougher stance in international trade negotiations.



Every main component of the current account moved in a negative direction between the second and third quarters, with an increase in the deficit in investment income, and a decline in the surplus on services.

The current account deficit rise was the third in a row and took the total deficit for the first nine months of the year to $121.7bn. It was the highest quarterly gap in history, surpassing the old record of $43.2bn set in the fourth quarter of 1987. The deficit for the full year is expected to come close to the record annual figure of $166.3bn in 1987.

The trade balance was hit by relatively strong demand growth at home and weak growth overseas. Though domestic demand was decelerating from its rapid growth earlier in the year, slowing the rate of increase of imports, purchases of foreign goods continued to increase. Sluggish demand in the main foreign markets was responsible for the fall in exports.

The surplus on services was $17.8bn, down 3.5 per cent from the July-September period.

The country's deficit on its investment income account rose sharply, as interest and dividends paid on foreign assets in the US increased. The main contributor was a sharp rise in interest paid on US Treasury securities, reflecting greater foreign purchases of government paper. Total payments from foreign owned assets in the US rose from $50.3bn in the second quarter to $53bn in the third.

Bank regulators refuse to change rules on capital

By George Graham in London

Regulators have refused to alter their rules for measuring how much capital banks must keep as a cushion against market risks, despite criticism that they are too conservative.

The Basle Committee, which groups supervisors from the central banks of the leading industrialised countries, said yesterday it had reviewed estimates of the capital required, but had decided not to change its formula.

Last year it announced it would allow banks to use their own models to calculate the level of risk in trading operations, instead of applying the standardised formula.

That was the first big change in the Basle capital adequacy formula laid down in 1988, under which banks must maintain capital equivalent to at least 8 per cent of their assets. But the regulators told banks that to use their internal models they must multiply the value they estimate to be at risk by three to calculate the required capital.

Banks in Europe and the US argued that if the models accurately gauged market risk then they did not need to be multiplied by anything.

The London Investment Banking Association called the factor of three "punitive" and warned that banks would prefer to use the old standardised formula because it would produce a lower capital charge.

The Basle Committee yesterday rebuffed that argument. It said its estimates, based on the portfolios of several large banks, "indicate that the internal models approach will generally produce a lower capital charge than the standardised approach". Mr Jacques Longerstaey of J.P. Morgan, the US bank, said the factor of three was the price of the central banks' support as lenders of last resort to the banking system.

The committee also asked banks last year for more work on measuring "specific risk", the risk that a particular security might not perform in line with the market as a whole.

However, it said yesterday it was "not yet convinced that banks' internal models have advanced to a point where they can capture all elements of specific risk in an empirically proven manner".

It will therefore require banks to maintain capital against specific risks equivalent to at least half the amount they would have been required to set aside under the standardised formula.

Amexco and UK bank agree card deal

Continued from Page 1

new Amex credit card will not be ready until next year, but the bank will also launch an Amex corporate charge card in partnership with United Airlines.

In the UK, NatWest hopes the Amex brand will give it a new marketing edge in the credit card market, which has become fiercely competitive as new issuers from the US, such as MBNA, People's Bank and Advanta, have offered much lower interest rates than the traditional UK banks.

While Barclaycard, the market leader, has managed for the most part to shake off this competition, other banks have seen their margins eroded.

Although American Express has begun to persuade more UK retailers to take its cards, including J.Sainsbury, the grocer, and W.H.Smith, the stationer, it is still far less widely accepted than Visa and MasterCard.

The company will not release country by country figures, but claims to be accepted in nearly 5m outlets worldwide, compared with over 13m for Visa and MasterCard.

NatWest's deal with American Express is not exclusive, but no other UK banks are expected to join American Express in the near future.

China to reinforce WTO bid with new trade plan

By Guy de Jonquières and Frances Williams in Singapore

China plans to reinforce its bid to join the World Trade Organisation by proposing a new package of trade liberalisation measures in February.

Mr Long Yongtu, China's assistant minister of foreign trade, said yesterday his government had dropped its demand that it should enter the WTO with comprehensive developing country status. The US has opposed the demand, which would allow Beijing longer to implement WTO commitments.

Mr Long, China's chief negotiator on WTO entry, emphasised that Beijing was committed to accepting WTO rules and disciplines: "On this kind of thing there should be no flexibility because it is the same for all WTO members."

He also indicated that China was ready to consider faster removal of non-tariff barriers, such as quotas and import licensing requirements. It might also consider relaxing further restrictions on foreign financial services companies and allowing foreign-owned banks to do business in China's national currency. But it was unlikely to improve soon on existing plans to reduce tariffs.

Mr Long expressed confidence that the US – which Beijing has accused of keeping it out of the WTO – now supported its membership.

He said the changed attitude reflected improved political relations with Beijing and US recognition that it would gain economically if China entered the WTO. "The situation has completely changed ... I think US figures want China into the WTO out of their own interest."

He said the US rethink had been prompted by pressure from US companies doing business in China and by the realisation that threats to impose unilateral trade sanctions on Beijing were increasingly ineffective. Sanctions handicapped US industry and benefited its international competitors.

Mr Long's remarks are the most positive and detailed assessment by a senior Beijing official of prospects for his government's WTO bid since US President Bill Clinton and President Jiang Zemin of China agreed last month to seek ways to speed up the negotiations.

Mr Long said his government was prepared to negotiate transition periods for implementing WTO commitments on a case-by-case basis and would seek them only in areas where it faced serious adjustment difficulties.

WTO close to IT deal, Page 4
Editorial Comment, Page 13

THE LEX COLUMN

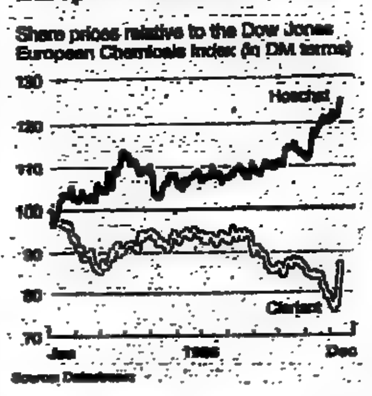
Soggy suggestion

So France's scheme for a political force to offset the power of the planned European Central Bank under monetary union has been revived. President Jacques Chirac and Mr Alain Juppé, his prime minister, have been pushing the idea in recent days. For Germany, which takes pride in the fact that the ECB's independence is enshrined in the Maastricht Treaty, the development must be worrying. Bond markets, which are assuming the euro will be as strong as the D-Mark, should take note too. After all, a bunch of politicians meddling in monetary policy hardly seems a recipe for low inflation.

Admittedly, France's proposals are rather fuzzy. If all it wants is a G7-type talking shop, bond markets can probably live with it. But France's rhetoric seems to go beyond that: it wants heads of government to have a regular dialogue with the ECB, influence exchange rates and give their opinion. The inference is that it expects the ECB to listen to this opinion. If so, the ECB's primary objective of ensuring price stability could be diluted.

There are two risks for bond markets. One is that France will get its way, in which case it will be difficult to argue the euro will be as hard as the D-Mark. The second is that political oversight of monetary policy becomes a sticking point between France and Germany at this week's European summit in Dublin. The two countries are already arguing over how tightly budget deficits should be controlled after monetary union. Another area of difference would increase the chance that Emu will not proceed as planned in 1999.

FTSE Eurotrack 200: 1920.86 (+13.56)



Hoechst/Clariant

Hoechst has found a neat way to extract value from its vast but lacklustre speciality chemical business. Not only is it injecting the business into Clariant, the Swiss speciality chemical group, but it is pumping it full of debt first. The result is Hoechst will enjoy an immediate DM3.5bn- DM4bn ($2.25bn-$2.5bn) cut in its own debt and end up with a 45 per cent stake of the enlarged Clariant, worth a further DM2bn. The resulting DM5.5bn-DM6bn implied valuation, equivalent to 90 per cent of sales, is not bad for a business with poor margins.

For Clariant, the deal is also attractive, because of the scope to slash costs. Its target of annual savings of DM600m is certainly a big management challenge, given it is in effect acquiring a business three times its size. Still, the debt mountain – equal to its enlarged market capitalisation – will keep executives on their toes. If Clariant can make and then keep most of the savings it is talking about, pro forma operating margins would double over five years. Add in the fact that debt is cheap and tax-efficient, and the boost to earnings would be even more impressive.

All this reinforces Hoechst's reputation as one of Germany's leading exponents of shareholder value. It is well on the way to disciplining its sprawling empire; and further partial spin-offs seem likely. A looming question, though, will be how to exploit its own balance sheet which, after the deal, will have net debt of only DM6bn or so. Share buybacks should soon be on the agenda.

Shell

Shell has kept investors on tenterhooks for so long with hints of restructuring its underperforming European refining operations that yesterday's announcement was bound to be an anti-climax. After all, the only hard proposal – to sell a refinery in Switzerland – deals with less than 4 per cent of Shell's European refining capacity. And the company is not suggesting the refinery will be closed if no buyer can be found. So the big problem, oversupply in the market, remains.

To be fair, the problem is not so much a failure to grasp nettles as overblown investor expectations. And if anything, Shell's characteristically discreet optimism over the likelihood of an industry-wide restructuring in French refining looks good news. If such a deal can be done reasonably soon, few would argue that Shell would be better off closing a French refinery unilaterally rather than waiting to share the pain. The episode does, however, underline how far Shell shares have been buoyed by great hopes of future restructuring benefits. There is plenty of evidence – notably the planned alliance with Texaco in the US – to back these expectations up. But so there is at Shell's competitors, and the restructuring premium still evident in Shell's high relative rating looks difficult to justify. It is no criticism of Shell's management, but investors can find better value elsewhere.

RJB Mining

For most of the past two years investors have been stunned by RJB Mining's sparkling performance. But as yesterday's 23 per cent slide in the share price showed, they should have been focusing on longer-term worries: the company's need to renegotiate its juicy supply contracts with power generators which lapse in March 1998. Ironically, it was a quite different issue – sterling's recent rally – which prompted yesterday's 18 per cent downgrade in forecast 1997 earnings from house-broker BZW. But whatever the cause, it is the contract worries which are now firmly at the forefront of investors' minds.

The outlook for RJB is not good. It needs to continue generating strong cash flows which can be invested to arrest falling production. But sterling's strength depresses prices and weakens the management's hand in the renegotiation of its supply contracts. Further productivity improvements will have to be made if future contracts are to be at all profitable, let alone generate the 15 per cent operating margin the company currently enjoys. With old mines and declining ore bodies, this is a tall order. And even if RJB makes new finds, the costs of developing them will depress earnings.

Despite all this, the shares look oversold at current levels, which put RJB on a measly forward price/earnings multiple of around 4.5 times for 1997. Even the most grisly pessimist would have to concede that RJB has a longer life expectancy than that.

Additional Lex comment on Northern Electric, Page 21

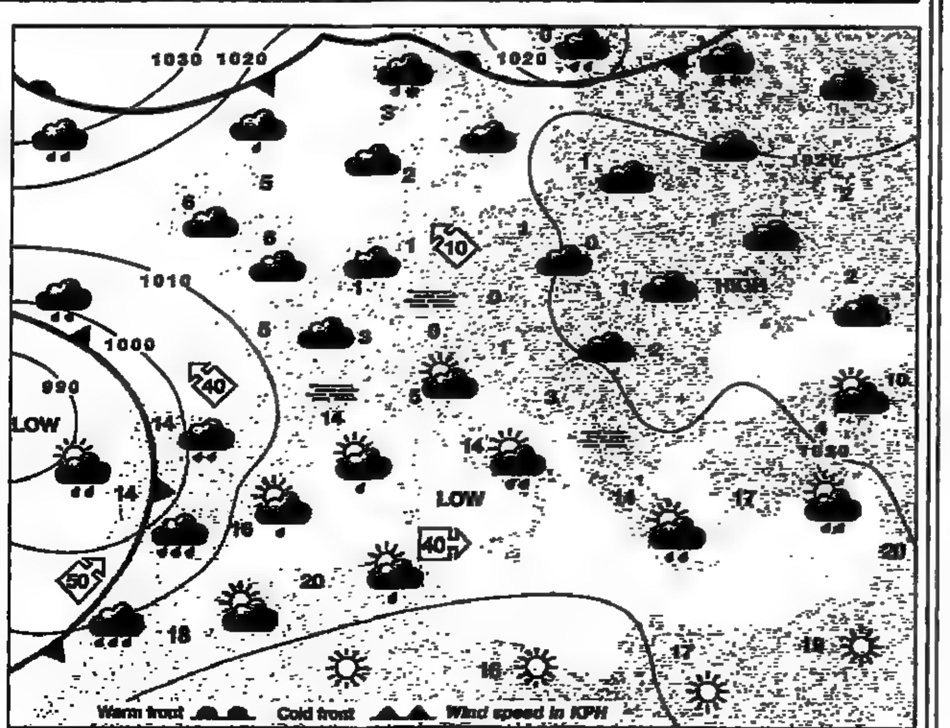
FT WEATHER GUIDE

Europe today

Southern Scandinavia will be cloudy but dry.
The British Isles, the Benelux, northern France and northern Germany will have dry conditions with low cloud.
Night-time temperatures on the continent will be just below freezing.
Western and central parts of the Iberian peninsula will have wind and rain. Low pressure will bring unsettled conditions to the Mediterranean.
South-western Italy and Turkey will be wet.
High pressure will bring calm but dull conditions to an area from Russia to central Europe.

Five-day forecast

Areas along the Mediterranean will stay unsettled. Southern France, Italy and Croatia will be wet.
Western Iberia will remain wet and windy until the weekend.
The British Isles will turn windy and wet over the weekend.
Central and eastern Europe will stay cloudy.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Beijing	sun 8	Caracas	cloudy 29	Faro	rain 16	Madrid	rain 11	Rangoon	fair 32
	Celsius	Belfast	shower 5	Cardiff	cloudy 5	Frankfurt	cloudy 2	Majorca	fair 16	Reykjavik	fair -3
Abu Dhabi	sun 25	Belgrade	cloudy 4	Casablanca	rain 21	Geneva	cloudy 4	Malta	shower 16	Rio	fair 28
Accra	fair 30	Berlin	cloudy 1	Chicago	rain 5	Gibraltar	rain 15	Manchester	cloudy 5	Rome	shower 14
Algiers	sun 20	Bermuda	cloudy 21	Cologne	cloudy 2	Glasgow	cloudy 4	Manila	fair 30	S. Frsco	cloudy 16
Amsterdam	cloudy 1	Bogota	cloudy 19	Dakar	fair 25	Hamburg	cloudy 0	Melbourne	fair 19	Seoul	sun 6
Athens	shower 12	Bombay	sun 33	Dallas	fair 25	Helsinki	cloudy 1	Mexico City	fair 24	Singapore	shower 30
Atlanta	cloudy 22	Brussels	cloudy 1	Delhi	sun 23	Hong Kong	cloudy 19	Miami	sun 27	Stockholm	drzzl 4
B. Aires	cloudy 26	Budapest	cloudy 2	Dubai	sun 27	Honolulu	fair 26	Milan	drzzl 7	Strasbourg	cloudy 2
B.ham	cloudy 5	C.hagen	cloudy 3	Dublin	shower 6	Istanbul	shower 10	Montreal	snow 0	Sydney	fair 24
Bangkok	fair 32	Cairo	fair 19	Dubrovnik	shower 13	Jakarta	shower 32	Moscow	sleet 1	Tangier	rain 18
Barcelona	cloudy 13	Cape Town	fair 20	Edinburgh	cloudy 6	Jersey	cloudy 7	Munich	cloudy -3	Tel Aviv	fair 18
						Karachi	sun 28	Nairobi	fair 25	Tokyo	fair 15
						Kuwait	fair 26	Naples	shower 14	Toronto	rain 3
						L. Angeles	cloudy 18	Nassau	fair 27	Vancouver	rain 7
						Las Palmas	fair 23	New York	cloudy 7	Venice	cloudy 8
						Lima	cloudy 22	Nice	drzzl 15	Vienna	cloudy 2
						Lisbon	shower 14	Nicosia	cloudy 17	Warsaw	cloudy 0
						London	cloudy 8	Oslo	cloudy 1	Washington	fair 13
						Lux.bourg	cloudy 0	Paris	cloudy 2	Wellington	fair 18
						Lyon	cloudy 3	Perth	fair 24	Winnipeg	snow -3
						Madeira	shower 21	Prague	cloudy 0	Zurich	cloudy 2

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Hoechst up 3.6% on merger news

Hoechst and Clariant shareholders were decidedly enthusiastic as they digested the consequences of the merger of the Swiss group with the German company's speciality chemicals operations. The German chemicals conglomerate's shares advanced DM2.45, or 3.6 per cent, to DM71.22, while Clariant's shares rose 13.4 per cent to SFr508. Page 16

Bank Austria prepares for fight
Bank Austria, the country's biggest bank, is poised to enter the battle for control of Creditanstalt, the country's most famous bank. Bank Austria's board is expected to meet today to decide on a last-minute bid for the Austrian government's controlling stake in Creditanstalt which is currently worth Sch14.5bn ($1.3bn). Page 16

Israeli telecoms to be opened up
The Israeli government unveiled plans to open up the domestic telecommunications network to competition in one of the biggest shake-ups in the state-run sector. The programme, due to take place by the end of 1998, will lead to the dismantling of the monopoly held by Bezeq, the state-dominated telecoms network, and offer the consumer a wide range of services at lower prices. Page 18

CBOT set to elect next chairman
The 3,661 members of the Chicago Board of Trade are being asked to elect the next chairman of the world's largest futures exchange. Mr Patrick Arbor, the current chairman, is seeking a record third two-year term, and has been endorsed by the exchange's nominating committee.
Page 19

Costain makes £52m disposals
Costain plans to issue another tranche of shares in a further bid to bolster its finances following the sale for £52m ($85.3m) of its US coal and London property interests, announced yesterday after the London Stock Exchange had closed.
Page 21

Companies in this issue

Market Statistics — http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bayer	64.55	+	1.5
Hoechst	70.9	+	2.22
Viag	610	+	15
Falls			
Holzmann	351	-	3.5
Kali & Salz	139	-	15
VEW	490.5	-	4.5
NEW YORK ($)			
Rises			
Rhone-Poul	31⅝	+	2⅝
Standard Comm	17¾	+	3⅝
Sgen Engy	17¾	+	2½
Falls			
Black & Decker	31½	-	6⅝
Dura Corp	31	-	1⅝
Excel Comm	23½	-	4½
LONDON (Pence)			
Rises			
Active Imaging	85	+	9½
BSS Design	45½	+	16½
Eurocopy	65	+	4
Real Time Cn	240	+	50
Trust	197½	+	15
Falls			
Alba	725	-	41
TORONTO (C$)			
Rises			
Aird Safety	17.1	+	1.35
MDSI Mobile	23.00	+	2.90
Potash	117.00	+	8.00
[illegible]	26.60	+	1.60
Spectral Diag	8.75	+	1.25
Falls			
[illegible]	5.50	-	[illegible]
PARIS (FFr)			
Rises			
Accor	189.9	+	9
[illegible]	785	+	10
Labinal	976	+	35
Skis Rossignol	141	+	4
Falls			
CGIP	1315	-	22
Total B	402.8	-	[illegible]
TOKYO (Yen)			
Rises			
Isuzu Mtrs	567	+	17
Konica	818	+	19
Meiji Milk	[illegible]	+	27
NHK Spring	443	+	12
Nippon Light	317	+	22
Falls			
Kokusai	420	-	18
HONG KONG (HK$)			
Rises			
Cheung Kong	18.90	+	0.90
Shanghai Ind	25.85	+	1.20
Wharf (Hldgs)	39.50	+	2.10
Wheelock & Co	22.45	+	1.10
Falls			
[illegible]	6.15	-	0.15
Shaw Bros (HK)	6.25	-	0.35

New York & Toronto prices at 12.30. Bangkok closed.

Philippine Airlines to halve expansion

PAL chairman blames labour department ruling on pilots' pay rise for $2bn cuts

By Justin Marozzi in Manila

Philippine Airlines, the loss-making national carrier, said yesterday it was cutting its ambitious $4bn expansion programme by half because of a recent labour department ruling.

Mr Lucio Tan, the chairman of PAL, has been locked in dispute with the pilots' union over pay and staffing levels on long-haul flights.

The labour department's ruling requires the airline to give a 15 per cent pay rise to its pilots annually over the next five years.

Mr Tan, a leading Chinese-Filipino businessman, criticised the ruling as "unreasonable". "The labour union is asking too much," he said.

PAL's modernisation programme centres on the purchase of at least 27 aircraft from Boeing and Airbus Industrie and is considered an essential part of the group's strategy. If the cuts proposed by Mr Tan are made, it would be a serious blow to its attempts to open profitable new routes and return to financial health. Last year the group made a loss of more than P2bn ($76m).

Analysts yesterday speculated on Mr Tan's motives for announcing the cut. "I think there is more to this than merely the labour issue because that alone does not justify a cut of $2bn," said one.

Mr Fitzgerald Aclan, head of research at Dharmala Securities, said Mr Tan was "probably minimising his losses. There are also rumours that there are not enough qualified pilots available to satisfy a much larger fleet."

Six months ago, PAL appeared to be back on track after being beset by capitalisation problems caused by a share dispute between Mr Tan and government minority shareholders.

With an ageing fleet and rising repair and maintenance costs, heavy losses prevented PAL from raising the capital to purchase new aircraft and modernise equipment.

A supreme court ruling in June threw out a petition to prevent Mr Tan taking majority control and PAL was able to secure a $200m loan, its first significant borrowing in two years.

Mr Tan's proposed scrapping of orders for new aircraft is the latest twist to his continuing tussle with the government.

Last week Asia's Emerging Dragon Corporation, a company owned by the country's six richest Chinese-Filipino tycoons, including Mr Tan, announced it was dropping its plan to bid for the construction of a passenger terminal at Manila airport. President Fidel Ramos had asked the country's leading businessmen to build the terminal under the build-operate-transfer scheme and had staked personal prestige on the project.

Mr Tan, who also owns Fortune Tobacco and Asia Brewery, is also fighting the government over implementation of the tax on "sin" products.

His rivals and the government tax department accuse him of avoiding P26bn in taxes by shifting production costs to "ghost" marketing arms.

Spanish telecoms group alters its privatisation strategy

Telefónica sell-off favours small investor

By Tom Burns in Madrid

The final stage of the privatisation of Telefónica, Spain's telecoms group, next February will follow the pattern of Deutsche Telekom's issue last month by weighting the disposal towards small domestic investors.

Mr Juan Villalonga, Telefónica's chairman, has told analysts in Madrid that retail investors will be allocated 60 per cent of the offering, against a maximum of 50 per cent in previous Spanish privatisations. Domestic and international institutions will split the remaining 40 per cent.

It is thought the offer will raise about Pta469bn ($3.58bn).

The breakdown of the tranches is different to the structure of a Telefónica offering in October last year when the government reduced its equity in the group from 33 per cent to 21 per cent. Then, international institutions were offered 49 per cent of the initial total, domestic institutions 8 per cent and 43 per cent was reserved for small investors.

The sale will be co-ordinated by Morgan Stanley of the US and Telefónica's core shareholders, Banco Bilbao Vizcaya, BBV, Argentaria, the state-controlled banking group, and La Caixa, the Barcelona-based savings bank. It will be backed by a Pta4bn publicity campaign.

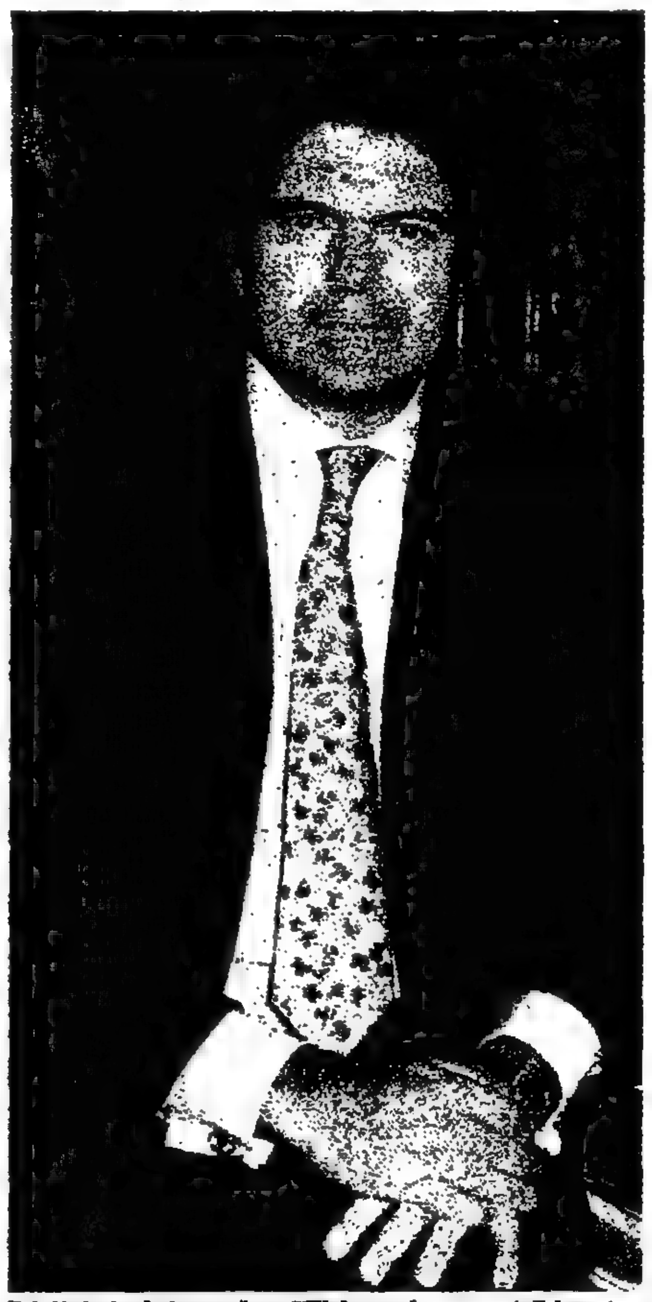
In addition, Telefónica plans to give away 200,000 mobile telephones over Christmas in a promotional exercise estimated to be worth a further Pta4bn.

Analysts said a publicity campaign aimed to place Telefónica's shares at around their current trading value of close to Pta3,000 on Madrid's Bolsa. Analysts believe this share value is the maximum justifiable issue price for the telecoms group.

Telefónica is using some of its own experience to set out its disposal strategy. In last year's offering the retail tranche was eight times oversubscribed whereas the allocation for the larger international institutions was only 1.7 times oversubscribed.

The increased weighting given to Telefónica's home turf also reflects the growth of domestic funds seeking equity positions and fiscal incentives for stock market investors that have been introduced by the centre-right government.

● Telefónica has notified Spain's stock market commission that it intends to maintain a 15 per cent stake in Amper, the domestic telecommunications group and Telefónica's main supplier. It does not intend to sell part of this equity to Indra, the state-controlled electronics group. Under a 1994 agreement Indra was to have purchased 4 per cent of Telefónica's stake in Amper but this sale was never implemented.



Telefónica's chairman Juan Villalonga: he says retail investors will be allocated 60 per cent of the offering

Baesa fails to satisfy investors after big losses

By Stephen Fidler, Latin America Editor

Executives at Baesa, the heavily indebted Argentine bottling company which is 24 per cent owned by PepsiCo of US, moved yesterday to reassure investors that they had resolved problems that caused large losses in its Brazilian business.

But they failed to ease doubts about the future performance of the company, Pepsi's largest international bottler, and left analysts dissatisfied with the level of disclosure.

As company officials led by Mr Lucho Suárez, chief executive officer, held a conference call with investors and analysts, Baesa shares fell 10 per cent – to $4.50 per depositary receipt on the New York Stock Exchange – following a 5 per cent loss on Monday.

"The bottom line is that we still have very little confidence that all the operating issues in Brazil have been addressed, although the management says they have," said Mr Carlos Laboy of Bear Stearns in New York.

On Monday, the company reported a net loss of $151.6m under US accounting rules for the fourth quarter ended September 30, against a net profit of $5.4m a year earlier.

This reflected, in part, one-off charges totalling $75.6m, including a $40m non-cash provision for accounting irregularities at Baesa's Brazilian subsidiary "involving inappropriate capitalisation of certain expenses". Sales fell 18 per cent in the quarter to $134.7m from $164.2m.

The net loss for the year was $452.4m compared with a 1995 profit of $44.8m. Sales rose 1.5 per cent to $680.2m from $670.4m.

The losses are another blow to Pepsi's ambitions in Latin America. Its bottler in Venezuela, the one Latin American country where it had a majority market share, defected in August to Coca-Cola.

Baesa has had difficulties in Brazil since it took over the Pepsi franchise there from the beer and soft drinks company Brahma in 1994. Mr Suárez said yesterday the company had now appointed Portuguese-speaking management in Brazil, a move some investors consider long overdue.

Baesa also said it had a new pricing strategy, had shut some distribution plants, cut its Brazilian staff to about 1,000 and doubled capacity utilisation at its São Paulo plant to almost 40 per cent in the quarter.

However, analysts complained that the conference call added little information about the nature of the Brazilian losses. This would have to await filings with the US Securities and Exchange Commission, they said.

It also left open questions about whether Pepsi would eventually emerge as Baesa's largest investor, as was once expected, Mr Laboy said.

Barry Riley

Bears lose Greenspan's Christmas present

Fleetingly, London-based global equity managers must have thought last week that Mr Alan Greenspan, the US Federal Reserve chairman, was offering them an early Christmas present.

Like the London fund managers, Greenspan thinks that US equities are becoming dangerously overvalued. Unlike them, he is actually capable of talking Wall Street down. But only briefly – this week US equities have bounced back as the "buy on the dips" instincts of investors have resurfaced.

Wall Street is high because it is the indirect beneficiary of freak flows of liquidity that have been reducing risk premiums globally. Mere words from the Fed chairman cannot change that but interest rate rises in the new year might begin to do so.

At any rate, the short-lived hopes of London-based managers that a sudden Wall Street dive might rescue their year-end performance figures have been dashed. Their big gamble of heavily underweighting US equities will again cost their clients money in 1996 – although less seriously so than in 1995.

We can look at statistics for UK pension funds, to some extent a proxy for the global strategy of London-based managers. Sticking grimly to their guns, they have continued to sell into the strength of Wall Street this year.

According to WM Company's database, the US accounted for 19 per cent of overseas equity portfolios in January, falling to 16 per cent by the end of September. Among the generally smaller and more aggressively managed funds tracked by the rival Caps performance service, the exposure is down to 10 per cent.

For comparison, the weighting of the US in the FT/S&P Actuaries World Ex.UK Index is now 49.3 per cent, ominously similar to the weighting Tokyo enjoyed just before its own bubble burst early in 1990.

Getting the world's biggest stock market so wrong for two years has damaged the UK's reputation as a centre of excellence for global equity management. The failure gives US-based managers an opportunity to poach business from the pin-striped brigade. Alternatively, of course, a Wall Street crash could quickly restore the pre-eminence of London and Edinburgh.

> With sterling strong, global equities have looked unexciting to British eyes

Wall Street's renewed strength this autumn has been expensive. The typical global asset allocation of a UK pension fund manager has roughly cost about 130 basis points of underperformance against the World Ex.UK Index return so far this year.

But of the big four geographical bets the pension fund managers have made in 1996, only the US underweighting has gone wrong. The other three decisions – to triple the index exposure to the Pacific Basin Ex.Japan, to double the Continental European exposure and (slightly) to underweight Japan – have all added return.

This is, however, only a top-down analysis. The predominantly value-oriented UK-based managers seem to have done badly with stock selection in the US, too. But they have been more successful at picking stocks in Europe and Japan, so globally there may have been some bottom-up value added in 1996.

Overall, the performance will have been disappointing, but salvageable. With sterling strong, global equities anyway have looked unexciting to British eyes – the World Index in sterling has climbed only 4 per cent. It has been held back, especially by Japan.

The big managers must, however, hold inquests on the missed US opportunities. One focus will be on the shortcomings of valuation-based decisions. Fundamentals still matter, but there is also a need to analyse the scope for liquidity-driven valuation shifts.

There is also the question of whether risk controls should be rebalanced. The complication is that the UK pension fund managers tend to measure themselves against a peer group asset allocation rather than the World Index, so that client risks in absolute terms may be poorly controlled.

Alternatively, Alan Greenspan may come galloping back to the rescue, this time bringing the cavalry with him.

Elegantly built group set to trim fat

The enlarged Clariant plans heavy job cuts and big changes, says **Jenny Luesby**

Hoechst and Clariant shareholders were decidedly enthusiastic yesterday as they digested the consequences of the merger of the Swiss group with the German company's speciality chemicals operations.

Clariant's shares rose 13.4 per cent to SFr508, while those of the German chemicals conglomerate advanced DM2.45, or 3.6 per cent, to DM71.22.

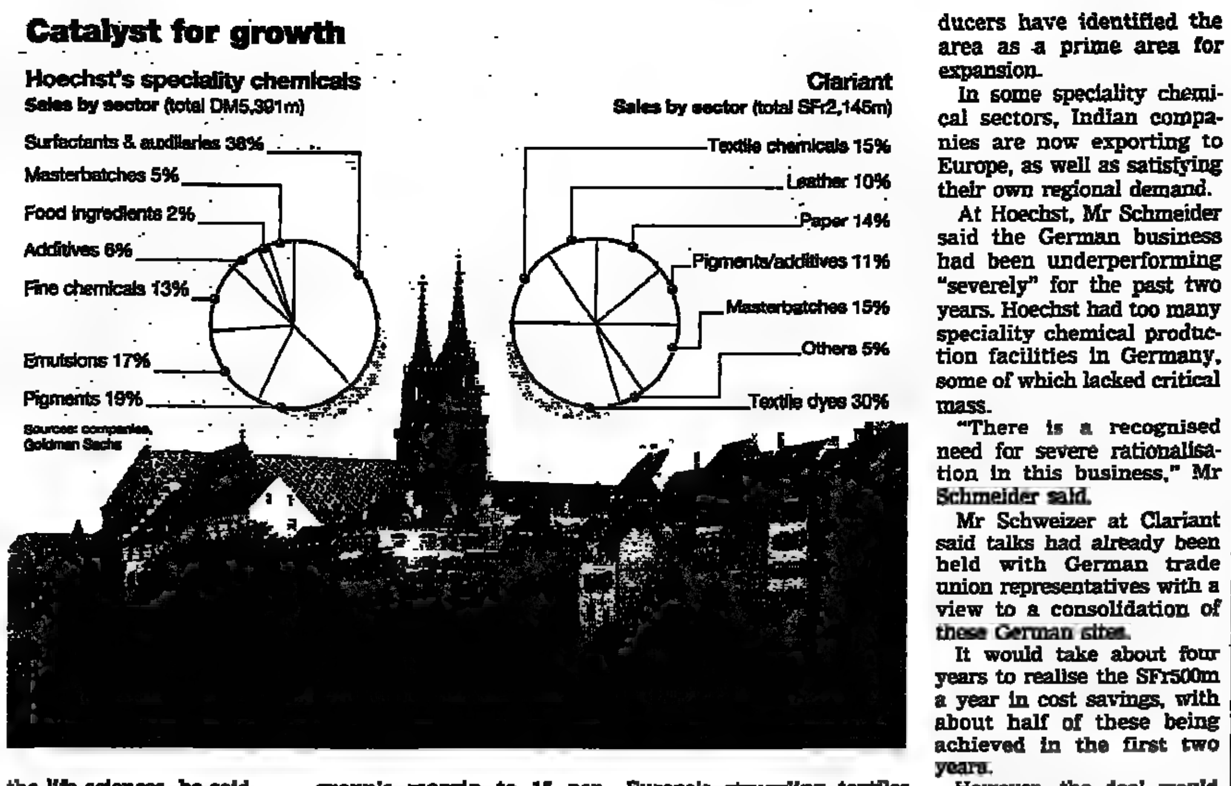
In an industry in which economies of scale matter, the expanded company's sheer size will prove an advantage. With sales of about DM9bn ($5.8bn) and operating profits of something close to DM700m, it will be the world's largest speciality chemicals concern. Job losses should also help earnings, with cost-savings estimated by the two partners at SFr500m ($376m) a year.

But despite the stock-market euphoria, the new group faces considerable difficulties, not least high gearing and some intense competition in its markets.

The deal, which will unfold in two stages, is elegant. Hoechst will first carve out its speciality chemicals businesses into a free-standing legal entity. It will then swap this company for a 45 per cent stake in the new, enlarged Clariant.

Clariant expects that its market capitalisation will increase about SFr1.5bn from its present SFr1.8bn. On its own, such a swap would have been unbalanced, since the Hoechst business is almost twice the size of Clariant in sales terms. The German company is pumping between DM3.5bn and DM4bn of its debt into its speciality chemicals business.

Mr Klaus-Jurgen Schmeider, Hoechst finance director, said yesterday that the alternative would have been to take a majority stake. This would have been at odds with the group's strategic aim of refocusing around the life sciences, he said.



For Hoechst, the deal's elegance was matched by the price. Analysts reckon the enterprise value of Hoechst's businesses is between DM5.5bn and DM6bn, giving the deal a sales multiple of about one, and an earnings multiple of about 14 times last year's earnings before interest and tax (and excluding exceptionals) of between DM400m and DM450m. Such multiples are expensive given the Hoechst businesses' sub-par margins, estimated by analysts at 6 per cent.

However, Clariant is convinced it can make the merged group work. It told analysts yesterday it wanted to increase the combined group's margin to 15 per cent, not least through synergies and cost-savings.

One problem may prove to be debt. The injection of Hoechst's debt will take Clariant's gearing to more than 100 per cent. It plans to use its strongly positive cash flow – which it refuses to divulge – to reduce this burden. However, Clariant was adamant that disposals would not be needed to reduce gearing.

Despite stock-market euphoria, the new group faces considerable difficulties, not least high gearing and some intense competition in its markets

Nevertheless, margins should also be helped by further restructuring on the completion of the merger.

Clariant still operates in some of the most difficult sectors within speciality chemicals, with nearly half of its chemicals produced for Europe's struggling textiles sector.

The German company's business remains dominated by businesses operating in fiercely competitive markets. The largest, surfactants and auxiliaries, which accounts for 38 per cent of the Hoechst business, still includes textile and leather chemicals. The German group's pigments and fine chemical businesses are also under pressure.

The problem for European producers in these areas is that many of the manufacturing sectors that buy speciality chemicals are shifting production from Europe to Asia.

At the same time, Indian and Chinese chemical producers have identified the area as a prime area for expansion.

In some speciality chemical sectors, Indian companies are now exporting to Europe, as well as satisfying their own regional demand.

At Hoechst, Mr Schmeider said the German business had been underperforming "severely" for the past two years. Hoechst had too many speciality chemical production facilities in Germany, some of which lacked critical mass.

"There is a recognised need for severe rationalisation in this business," Mr Schmeider said.

Mr Schweizer at Clariant said talks had already been held with German trade union representatives with a view to a consolidation of these German sites.

It would take about four years to realise the SFr500m a year in cost savings, with about half of these being achieved in the first two years.

However, the deal would also open the deal to an array of swaps, disposals and acquisitions, he said.

"We will be creating a new company," said Mr Schweizer, "not just patching these two businesses together.

"Everything is up for change. We might exchange businesses with other companies and keep what suits us better; we might put some businesses into joint ventures with third parties; we might divest, and strengthen other areas through acquisitions.

"The point is that with our new size, much more becomes possible."

Overall, the deal has not removed the competitive pressures facing the two company's speciality chemicals businesses.

But the cost-savings, synergies and future disposals should help the new group take a large step towards a cost-effective concentration of such activities within Europe.

JP Morgan keeps ahead of carpet-baggers

The Clariant-Hoechst deal is nowhere near as big as the pending merger of Ciba Sandoz with Novartis. But the presence of J. P. Morgan as one of the two financial advisers is another indication of the growing power in the European chemical and pharmaceuticals industries of America's best-connected bank.

J. P. Morgan's pedigree in the industry dates back to 1989, when it advised SmithKline Beckman on its merger with Beecham. But it has begun only recently to muscle in on the traditional territory of the big German and Swiss banks.

SBC Warburg is advising Clariant, which is no surprise since it helped arrange the company's SFr1.5bn ($1.13bn) initial public offering last year, and Union Bank of Switzerland and Credit Suisse First Boston are advising on the $5.2bn spin-off of Ciba Specialty Chemicals. But J. P. Morgan's presence is a sign of the growing competition for corporate finance business in an area where German and Swiss banks used to reign supreme.

In March, Morgan popped up as Ciba's financial adviser in the Sandoz deal. In August, when Sandoz sold its Master Builders Technologies to SKW Trostberg of Germany for SFr1.3bn, J. P. Morgan was advising the buyer. In the meantime, it has advised Roche, Switzerland's biggest pharmaceuticals company, on the purchase of its 50 per cent stake in a joint venture with Procter & Gamble in the US.

The House of Morgan, unlike some of its Wall Street rivals, cannot be dismissed as a carpet-bagger which specialises in quick deals and then disappears over the horizon. Morgan has invested much time and effort in developing its relationship with Hoechst. It has advised it on at least half a dozen deals over the past five years, culminating in its $7.2bn acquisition of Marion Merrell Dow last year.

When Sandoz was considering how to dispose of its specialty chemical business last year, Morgan came up with an alternative plan to the initial public offering of Clariant. Although it was rejected, Morgan continued to keep watch on Clariant's progress as part of its role in helping Hoechst get out of its low-margin specialty chemicals business.

The days are gone when a bank such as J. P. Morgan would be drawn in at the last moment to give independent advice on a deal. Hoechst's deal with Clariant has all the hallmarks of a Morgan initiative, as the big Swiss and German banks will be all too aware.

William Hall

New bidder in Austrian bank sell-off

By William Hall in Zurich

Bank Austria, the country's biggest bank, is poised to enter the battle for control of Creditanstalt, the country's most famous bank. Bank Austria's board is expected to meet today to decide on a last-minute bid for the Austrian government's controlling stake in Creditanstalt which is currently worth Sch14.5bn ($1.3bn).

Mr Walter Fremuth, chairman of Creditanstalt's supervisory board, said yesterday he had been told that Bank Austria would enter the bidding for the Austrian government's 19.9m ordinary shares in Creditanstalt. Bank Austria had earlier denied reports that it planned to bid for its main rival.

Bank Austria is about the only Austrian bank not to have shown an interest in the long-running attempt to privatise Creditanstalt. Until now it has been ruled out on account of its size - the two banks would control 25 per cent of the Austrian market - and because of the political problems involved.

Bank Austria is regarded as a "red" bank, allied to Chancellor Franz Vranitzky's Social Democratic party, while Creditanstalt is seen as a "black" bank, more closely allied to the People's party, the junior partner in the government coalition.

A bid by Bank Austria would create an Austrian bank capable of competing on the world stage. Bank Austria has a strong retail banking franchise in Austria, whilst Creditanstalt has built up a successful international business.

However, Bank Austria does not have the financial strength to bid on its own, fuelling speculation that WestLB of Germany, which has recently increased its stake in Bank Austria, would provide financial support.

The Austrian government has been trying for more than five years to sell what is effectively a 70 per cent stake in Creditanstalt. But privatisation has been complicated by a desire to keep the bank in Austrian control and to maximise cash proceeds. Interested parties such as Credit Suisse have been rejected on account of being foreign-controlled.

In September Mr Viktor Klima, the Austrian minister of finance, rejected a bid from a consortium led by EA-Generali, the Austrian arm of an Italian insurer, which included Commerzbank of Germany and Banca Commerciale Italiana.

EUROPEAN NEWS DIGEST

Chrysler to boost European output

Chrysler, the US car maker, plans to boost output of its Austrian-built Grand Cherokee sports utility vehicle to help meet its target of doubling European sales by early next decade. Output of Grand Cherokees, which are built under contract for Chrysler by Steyr-Daimler-Puch, the Austrian industrial group, will rise from 47,000 to 65,000 units a year by early 1999. SDP is investing $160m to expand the Graz plant to meet the target.

Chrysler has extended its production agreement with the Austrian company by six years to 2004 to justify the additional spending required by SDP. *Haig Simonian*

Audi to lift Brazil capacity

Audi, the up-market subsidiary of Germany's Volkswagen cars group, yesterday announced plans to build a new plant in Brazil. The factory, near Curitiba in Parana state, will initially produce 60,000 Audi A3s and next-generation VW Ventos a year. However, output will rise to about 140,000 units a year with the almost certain expansion of the project to include building 80,000 next-generation VW Golf models a year.

Separately, Mr Herbert Demel, Audi chairman, who was last week appointed the new head of VW's big Brazilian subsidiary, forecast that group profits this year would be "at least 25 per cent" up on the DM589m ($378m) made in 1995. *Haig Simonian*

Ansaldo merges signal interests

Ansaldo Trasporti, the Italian state-controlled transport engineering group, yesterday set the seal on a merger of its railway signalling interests that creates the world's second-largest manufacturer in the sector after Siemens of Germany with an annual turnover of about L700bn ($457m).

The new company, to be called Ansaldo Signal, will be quoted on the Nasdaq stock exchange in New York. Ansaldo Trasporti will control 72 per cent, Compagnie des Signaux (CS) of France 9.8 per cent, and public shareholders the remainder.

Ansaldo Trasporti, which comes under the umbrella of the Finmeccanica engineering company, has set up Ansaldo Signal to reinforce its international presence and group the knowhow of individual manufacturers. In addition to the CSEE Transport interests of CS, the new company will control Union Switch & Signal, Ansaldo Trasporti's quoted subsidiary which is market leader in the US. *John Simkins, Milan*

Telecel shares gain 19.5%

Shares in Telecel, Portugal's dominant mobile phone operator, gained 19.5 per cent in a first day of heavy trading yesterday as international investors sought to increase the allocations made in Monday's strongly oversubscribed initial public offer.

The shares, which were sold at Es7,950 each in the global offering, opened at Es9,000 and climbed to a high of Es9,849 before closing at Es9,500. The market value of the company, which is controlled by AirTouch, the US cellular phone operator, rose from Es170.9bn to Es204.2bn ($1.3bn).

Portugal Telecom, the country's monopoly fixed-line telecommunications operator, also closed at a record high of Es4,353, up 3 per cent on Monday's close. *Peter Wise, Lisbon.*

Rémy Cointreau cuts loss

Rémy Cointreau, the French wines and spirits group, yesterday uncorked sharply reduced interim losses after lower financial charges helped offset the impact of higher promotional spending.

The company, best known for its Rémy Martin cognac, Cointreau liqueur and Krug and Piper-Heidsieck champagnes, reported a pre-tax loss of FFr1m ($192,385) for the six months to September 30, against a loss of FFr39m a year ago. Including exceptionals, however, profits dipped markedly, from FFr215m in the first half of 1995 to FFr41m. The year-ago figure included a FFr257m exceptional gain from the sale of the Picon brand. In the latest period, the company recorded a comparatively modest FFr44m exceptional gain. Turnover rose 4 per cent from FFr2.94bn to FFr3.07bn.

The company's shares closed up FFr1, or 0.7 per cent, at FFr138, against a slight fall in the benchmark CAC 40 index. *David Owen, Paris*

Israeli telecoms to be opened up to competition

By Judy Dempsey in Jerusalem

The Israeli government yesterday unveiled plans to open up the domestic telecommunications network to competition in one of the biggest shake-ups in the state-run sector.

The programme, due to take place by the end of 1998, will lead to the dismantling of the monopoly held by Bezeq, the state-dominated telecoms network, and offer the consumer a wide range of services at lower prices.

It follows a government decision last month to grant licences to two telecoms consortia including Sprint of the US, Germany's Deutsche Telekom and Italy's Stet, to provide international communications services in Israel in competition to Bezeq.

"Opening up to liberalisation and competition is a global trend," said Mr Keith Phillips, Israel analyst at Société Générale Strauss Turnball.

But Mr Issac Kaul, outgoing chairman of Bezeq, yesterday said the company had not been informed in detail of the government's programme.

He also said he was waiting for a telecoms deregulation law and a full privatisation plan which would enable Bezeq to compete fairly once the market is opened to competition.

His remarks coincide with Bezeq's attempts to issue a secondary, and preferably global, offering of 26 per cent next year, lifting its public ownership to 50 per cent.

But its ability to do so has been complicated by the government's unwillingness to allow Cable and Wireless, the UK telecoms group, to increase its stake by a further 10 per cent after it snapped up 10 per cent of the shares last year.

"We need to know where we stand on all sorts of issues so that we will be ready to deal with competition on the domestic market," a Bezeq official said.

The domestic market accounts for 37 per cent of Bezeq's revenues which last year totalled Shk7.7bn ($2.3bn).

At yesterday's close of trading, Bezeq's shares slipped 1.25 per cent, from Shk8.11 to Shk8.01.

Under the terms of the recommendations drawn up by Israel's communications and finance ministries, licences will be granted for the provision of a nationwide telephone network, almost certain to dent Bezeq's monopoly.

Licences will also be granted to provide services in infrastructure and transmission which will include the cable television market.

Analysts said the government plans offered exciting opportunities to investors even though Israel has a small market. In terms of the number of calls, the domestic market grew 10.5 per cent in 1994 and a further 16 per cent last year.

In addition, the scope for multimedia services and home shopping via cable or satellite have not been tapped.

The unknown factor for any investor is the peace process. If it continues, analysts said investors who have established a foothold in Israel's domestic and international telecoms markets could expand into neighbouring Jordan and Egypt where telecommunications remain untapped and starved of investment.

For instance, 27 per cent of Bezeq's revenues are reinvested compared with 3 per cent of Jordan's revenues.

● A subsidiary of Siemens, the German telecommunication and electronics group, and Elscint, the Israeli advanced medical imaging company, have agreed on a joint development and production programme aimed at developing computerised tomography components.

The move is part of a strategy by Siemens to expand its activities in Israel, taking advantage of lower labour costs, the availability of high-tech expertise and the closer relations forged between Israel and the European Union.

Mr Erich Reinhardt, chief executive officer of Siemens Medical Engineering group which supplies systems for medical diagnostics and therapy, said it was also part of the company's strategy to develop new health care solutions.

Under the terms of the agreement, Elcint, a subsidiary of Elron Electronic industries, and Siemens Medical Engineering group will carry out research and development as well as the manufacturing of tomographic components used in radiography. Mr Jonathan Adereth, president and chief executive officer of Elscint, said he expected the agreement to increase sales by $100m over the next five years.

RTL set for record full-year sales

By Frederick Stüdemann in Berlin

RTL, the German television network, is set for record net sales of nearly DM2bn ($1.3bn) in 1996, according to Mr Helmut Thoma, chief executive. Profits at Germany's biggest commercial television company would be roughly the same as 1995's DM102m, he said.

Mr Thoma said popular programmes, such as Formula 1 car racing, would continue to drive earnings at the network, which currently attracts 16 per cent of domestic viewers. In 1997 RTL would cross the DM2bn mark in net sales and make profits of DM150m.

Next year will also see the restructuring of the networks currently operating under the RTL name. Alongside the main RTL network is RTL2, which broadcasts mainly films and series, and Super RTL, a children's channel.

At present the three have differing ownership structures. The main RTL channel is owned by CLT-Ufa, the company recently created out of a merger of CLT of Luxembourg and Ufa, a subsidiary of Bertelsmann, the German media group. CLT-Ufa has a minority stake in RTL2, while Super RTL is jointly owned with Disney.

This arrangement was brought about by German media laws, which stipulated that no company could own more than 30 per cent of one network. The law is to be replaced on January 1 by a ruling assessing a company's presence in the market in terms of total market share, not the number of networks it owns.

This will allow CLT-Ufa to bring together its interests in a single holding company, which Mr Thoma said could be created by the middle of next year.

The fate of Vox, a small network which CLT-Ufa co-owns with News Corporation and Canal Plus of France, is also unclear. Mr Thoma said Vox could be turned into the news channel of RTL.

News Corporation is also involved with CLT-Ufa's main rival, the Munich-based Kirch group, through British Sky Broadcasting, the UK satellite network in which it is the largest shareholder.

Paltel on fast track to solve communication problem

The Palestinian company has set itself a tight timetable to upgrade the region's telecoms system

Mr Mohammad Mustafa is a man in a hurry. As director-general of the Palestine Telecommunications company, or Paltel, he knows what potential investors want in a region plagued by a poor infrastructure and a paltry telecoms network: efficient and fast communications.

"We have very little time to build the network," says Mr Mustafa, who left the West Bank town of Nablus after Israel occupied the region during the 1967 Six Day War.

Following a long stint at the World Bank, he returned to his native Nablus last year, determined to create a modern network which would serve a future Palestinian state.

The telecommunications system he inherited had similarities with that of the former east Germany. Domestic consumers in the West Bank and Gaza, the region under the Palestinian Authority, or PA, had to wait years for a line from Bezeq, the Israeli state-owned telecoms network.

Unlike Israel, where there are about 55 lines per 100 people, in the West Bank and Gaza fewer than three people per 100 were connected to a line. The cellular phone system was virtually non-existent.

There were other problems too. Those connected with Bezeq could not rely on a consistent after-sales service because of closures often imposed by Israel on the West Bank and Gaza.

Aside from all these problems, Mr Mustafa believes Paltel has a big advantage. "Since the system is virtually non-existent, we have a chance to leapfrog and build a highly efficient and modern network," he said.

Bezeq is keen to be involved with Paltel and has even suggested the establishment of an integrated telecoms network in that part of the Middle East

But unlike east Germany which had Deutsche Telekom, the German state-owned network, to invest more than DM60bn ($38.5bn) in a bid to upgrade east Germany's communications network, Paltel has had no rich uncle. It has had to depend on private investors to start from scratch. This was not an easy task: investors have often been wary of the PA's bureaucratic tendencies and its lack of experience.

The PA's first big decision was to bring together a group of private Palestinian investors to carry out the privatisation of the telecommunications sector. This was an important step aimed at reassuring potential investors of the PA's commitment to opening up the private sector.

The investors, which include the Arab Bank, the Cairo Amman Bank and the Palestinian Investment Bank, moved quickly. By the end of last year, they had brought together 66 institutional investors which formed the core of Paltel.

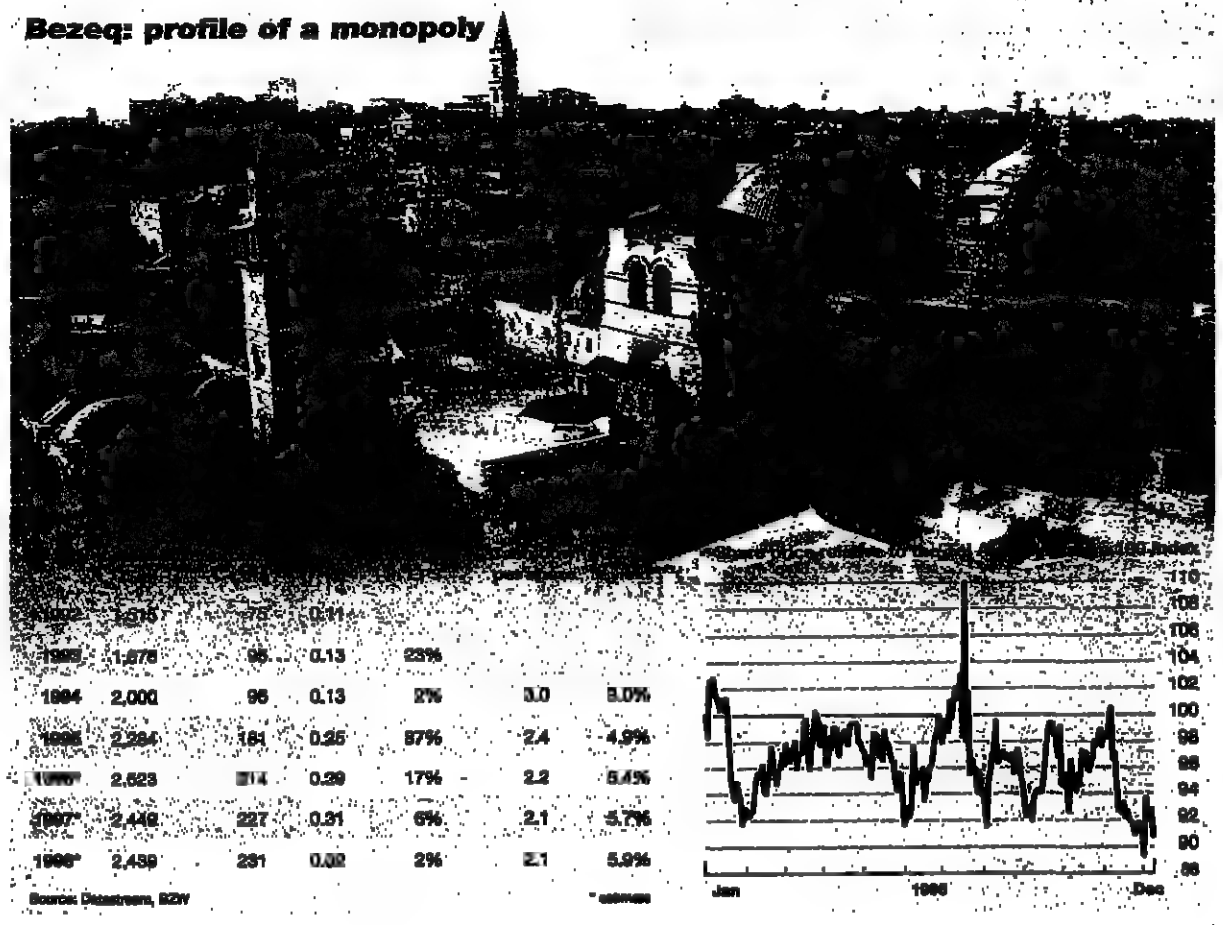
Determined to involve the public, the PA and Paltel agreed to issue a public offering, selling 41 per cent of Paltel's shares and raising capital of $65m. The offering was four times oversubscribed.

Then last month, Paltel won the licence from the PA to provide all telecommunications services to the PA areas over the next 20 years.

Mr Mustafa's first plan is to increase the number of subscribers from the current 80,000 to 250,000 over the next three years, aiming for a market penetration of 25 per cent by 2011.

The second phase in Paltel's programme is to raise equity to establish a cellular phone network. Last week, Paltel invited tenders for the design, supply, installation and project management of a GSM network.

Bezeq: profile of a monopoly



[illegible]	[illegible]	[illegible]	0.11			
[illegible]	1,676	95	0.13	23%		
1994	2,000	95	0.13	2%	3.0	8.0%
[illegible]	2,284	161	0.25	87%	2.4	4.9%
[illegible]	2,523	214	0.29	17%	2.2	5.4%
1997*	2,449	227	0.31	6%	2.1	5.7%
1998*	2,459	231	0.32	2%	2.1	5.9%

Source: Datastream, BZW * estimate

Although Israel has one of the most efficient telecoms networks in the world, it still does not have a GSM network.

Even though Paltel is moving ahead with its plans, much remains to be done. Since it is in a transitional phase, the PA and Paltel are still dependent on Bezeq to provide and maintain existing services.

Bezeq is keen to be involved with Paltel and has even suggested the establishment of an integrated telecoms network in that part of the Middle East. It would, however, like the PA to pay its bills on time. This has been a problem in the past.

In addition, Paltel and the PA are involved in negotiations over royalty fees, tariffs and valuation of the network. The outcome will determine whether Paltel will, over the next two decades, be able to fund its $600m investment plans from its own cash flow.

The evolution of the relationship between the PA and Paltel will, according to analysts, provide a clear signal for any future privatisation plans. It will also establish the PA's role in the interplay between the private and public sectors.

"The PA must move very quickly from being a service provider to being a policy maker and regulator," said Mr Mustafa. "That is why the success of Paltel matters. It will provide a good example for other sectors of the economy where the private sector will be crucial."

Judy Dempsey

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 11.12.96: Pool purchase price £/MWh	Final Prices for Trading on 13.11.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.96	16.37	17.33
0100	16.96	17.21	18.17
0130	16.96	17.21	18.17
0200	27.09	17.21	18.17
0230	27.09	17.21	18.17
0300	16.96	17.21	18.17
0330	16.09	17.21	18.17
0400	16.09	16.37	17.33
0430	16.09	16.37	17.33
0500	16.09	16.37	17.33
0530	13.80	11.66	11.88
0600	11.73	11.66	11.88
0630	11.73	11.66	11.88
0700	16.20	13.46	14.41
0730	17.81	16.91	17.87
0800	24.83	16.96	17.95
0830	41.66	18.50	19.47
0900	42.36	18.63	19.51
0930	26.31	18.57	18.56
1000	26.89	18.60	19.59
1030	26.72	18.62	19.62
1100	26.48	18.62	19.62
1130	28.56	18.61	19.60
1200	26.66	17.31	18.29
1230	24.74	17.29	18.27
1300	26.29	17.28	18.26
1330	25.90	17.26	18.23
1400	25.78	17.26	18.23
1430	25.69	17.24	18.21
1500	25.69	17.24	18.21
1530	27.63	17.30	18.29
1600	57.45	19.78	21.58
1630	150.09	61.12	60.94
1700	244.29	115.82	137.02
1730	250.85	146.77	167.97
1800	185.49	121.89	138.82
1830	88.52	56.63	63.84
1900	47.10	27.32	29.96
1930	29.04	23.06	24.77
2000	25.74	21.41	22.53
2030	25.04	19.30	20.30
2100	22.72	19.22	20.19
2130	24.79	19.19	20.14
2200	24.77	19.18	20.14
2230	17.56	19.18	20.14
2300	14.96	14.41	15.37
2330	14.98	13.31	14.27
2400	14.86	11.66	11.68

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.68/MWh becomes 1.668p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0116 245 6789 between 8.30am and 5.15pm Monday to Friday.
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UPM-Kymmene and Metsä in deal

By Greg McIvor in Stockholm

The consolidation of the Nordic forestry industry took a fresh turn yesterday when UPM-Kymmene, Europe's biggest pulp and paper group, agreed to transfer two production plants to Metsä-Serla, a Finnish competitor, for FM2bn ($429m).

The deal highlights a continuing drive by both companies to concentrate on core businesses. For UPM-Kymmene, it marks a withdrawal from paperboard production and an increased focus on its main magazine paper and newsprint operations, where it is European market leader.

Metsä, which is to take over UPM-Kymmene's paperboard capacity, will become one of Europe's leading producers of the grade.

Investors reacted enthusiastically. UPM-Kymmene shares rose FM3.80 to FM97 and Metsä stock advanced FM1 to FM35.

A complex swap agreement involved both companies extending their existing co-operation in pulp production by each transferring one pulp mill into Metsä-Botnia, an existing joint venture between the two in which Metsä holds a 52 per cent stake.

The partners said the alignment would facilitate collaboration on pulp production decisions, help spread costs in a very capital-intensive industry, and offset cyclical exposure.

In addition, Metsä is to purchase UPM-Kymmene's sole paperboard mill, at Simpele in Finland, making it Europe's second-largest producer of folding board boxes after Stora of Sweden, with annual capacity of 520,000 tonnes.

Mr Heikki Sara, UPM-Kymmene senior vice-president, said the transfers meant the group would not have to bear the whole burden of required modernisation work at its Joutseno pulp mill, which is to be subsumed into the joint venture. Pulling out of board production would focus attention on core businesses.

Mr Jorma Vaajoki, Metsä chief executive, said: "The Simpele [paperboard mill] deal is a major step in making the size of our packaging operations equal in size to our printing paper operations."

Mr Mads Asprem, paper and packaging analyst at Morgan Stanley in London, said the deal "straightened out quite a lot of things", although it would add some pressure to Metsä's balance sheet. "The consolidation in Finland is now complete and UPM-Kymmene is ready for major steps outside Europe," he said.

The transactions will boost Metsä's turnover almost FM2bn, to about FM22bn. It will pay FM870m of the FM2bn purchase price in cash; the balance will be invested by UPM-Kymmene in Metsä-Botnia shares and a shareholder loan.

UPM-Kymmene said this structure would finance a FM650m upgrade of the Joutseno mill. Its nine-month pre-tax profits fell from FM4.6bn last year to FM2.6bn.

Metsä posted nine-month pre-tax earnings of FM336m, against FM1.3bn. Both companies have been hit by weak pulp prices in 1996.

Czech bank sale signals shake-up

By Vincent Boland in Prague

The Czech National Bank, the Czech Republic's central bank, has approved the sale of Interbanka, a small commercial bank, to Bayerische Landesbank Girozentrale of Germany and Kulkereskedelmi, a Hungarian bank controlled by BLG.

BLG is to take a 55 per cent stake in Interbanka, one of the few small-tier Czech banks not to have experienced severe loan-loss problems.

Kulkereskedelmi will hold the other 45 per cent. No terms were disclosed, but Interbanka has capital of Kč500m ($18.3m) and assets of about Kč3bn.

The sale of Interbanka signals what is likely to be a long process of consolidation and changes of ownership in the Czech banking sector as it tries to shake off difficulties caused by a string of failures this year.

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AMERICAS NEWS DIGEST

Black & Decker declines 15%

Black & Decker shares dived 15 per cent yesterday morning after the US tools and appliances company warned that its 1996 profits are likely to be below analysts' estimates, and its first-quarter earnings in 1997 lower than in 1996. The company said its earnings per share are likely to be lower than $1 for the fourth quarter of 1996 and $2.40 for the full year.

Mr Nolan Archibald, Black & Decker chairman and chief executive officer, said that the shortfall would be primarily due to lower-than-anticipated sales in power tools and accessories. Sales growth is likely to be 2-3 per cent in the fourth quarter, instead of the 5-6 per cent previously projected. Black & Decker blamed the disappointing performance partly on weak economies in Europe which "failed to recover to the extent that we had anticipated". The company made substantial job cuts in Europe this year in order to reduce costs, and Mr Archibald said he was optimistic about sales growth in 1997.

However, the company said it expected to see a more favourable fourth-quarter tax rate, below the 27 per cent reported for the first nine months, which will partially offset the impact of the weaker operating results. At the end of the morning Black & Decker shares were trading at $31¾, down $5¾.

Tracy Corrigan, New York

Heinz on track to meet target

H. J. Heinz, the US food group, yesterday reported a 12 per cent increase in net profits to $177.5m for its fiscal second quarter to October 30, with a similar increase in earnings per share to 47 cents. The result was slightly above the 46 cents a share expected by Wall Street analysts, but the shares slipped $¾ to $36¾ in early trading.

Mr Anthony O'Reilly, chairman and chief executive, said the company had seen another strong quarter of profit and top-line growth, with revenues up nearly 5 per cent to $2.39bn and operating profits up 7 per cent to $352.8m. The company was on track to meet its target of double-digit growth in earnings per share for the full year, he said.

Richard Tomkins, New York

Texaco in sponsorship venture

US oil leader Texaco has joined the Malaysian government and the Hong Kong-based HSBC international banking group in backing Ford and former grand prix ace Jackie Stewart in a £200m ($329m) joint venture to capture the Formula One world championship within five years.

The agreement is understood to be costing the oil group about £30m over the next five years. It means that the Stewart-Ford venture, one of the most commercially significant in grand prix motor racing, is now fully funded. The involvement of Malaysia, which is using the venture to promote its tourism industry, represents the first time that a nation state has taken on a Formula One sponsorship role.

John Griffiths

Biogen plans $18m investment

Boston biotechnology company Biogen is planning an $18m equity investment in another Massachusetts company, Creative BioMolecules, as part of an deal to invent new treatments for kidney disease. The value of the agreement could reach $122.5m in equity, fees, research support, development milestones and lines of credit. In exchange, Biogen receives exclusive worldwide rights to market and sell drugs developed through the collaboration between the two companies.

Daniel Green

Nestlé to buy Ault Foods

Nestlé Canada is buying the ice cream and frozen yoghurt business of Ault Foods for C$221m (US$164m), including a processing plant in Ontario and distribution centres across the country.

Ault is now a Canadian dairy products group with annual revenues of C$1.3bn, but its ice cream division is non-profitable because of price wars led by Unilever. The deal will make Nestlé a leading competitor in the ice cream market.

Robert Gibbens, Montreal

Mexican rail deal stops industry in its tracks

After Kansas City Southern Industries' eyebrow-raising takeover of Mexico's most important rail network, one question occupies the mind of the railroad industry on both sides of the US-Mexico border. Has this second-tier US rail operator bitten off more than it can chew?

Jan Mitchell, Panos Pictures

Heavy load: Veracruz station, Mexico, part of the Northeast Railway network

At the end of last week, Kansas City Southern announced that its joint venture with Transportación Marítima Mexicana, Mexico's biggest transport company, had won a 50-year concession to run Mexico's Northeast Railway, a 2,500-mile network that came up for grabs as part of the Mexican government's privatisation effort.

Until then, there had been a widespread assumption that Union Pacific, the biggest US railroad, would win the competition, because it already carries the most rail traffic across the Mexican border.

Kansas City Southern and TMM, however, astonished the railroad industry by bidding $1.4bn for the concession – nearly three times more than the $527m bid by Union Pacific and ICA, Mexico's biggest construction company. The bid was also far in excess of the $540m offered by Grupo México, the copper mining company, and South Orient Railroad, a Texan operator.

ING Barings in Mexico City said the price differential raised "the obvious question of whether [Kansas City Southern and TMM] completely misjudged the true value of the asset or had more pressing strategic reasons which justified such a premium".

Analysts expressed concern over the high purchase price and the financial burden of such a costly acquisition. Moody's Investors Service and Standard and Poor's placed the debt of Kansas City Southern and TMM under review for a possible downgrade; by lunchtime yesterday Kansas City Southern's stock had plunged 9 per cent from Thursday's close.

The Northeast Railway is the jewel in Mexico's somewhat tarnished railway crown. It carried 40 per cent of Mexico's total rail cargo in 1994, although it has only 19 per cent of the total track, and it was the only one of Mexico's three main rail networks to make a profit. Revenues in 1994 were 1bn pesos, about $300m before the currency's devaluation.

Kansas City Southern Railway, the rail unit of Kansas City Southern Industries, is hardly any bigger than the Northeast Railway. It covers 2,900 miles on a north-south axis between the Gulf coast and the midwest, with terminals in Kansas City, Shreveport, Port Arthur, New Orleans and Dallas. Last year's profits were $11.4m on revenues of $502m.

The Kansas City Southern network does not go all the way to the Mexican border, but the company has so-called trackage rights over Union Pacific rails that extend its reach to the border town of Laredo, the northern-most point of the Northeast Railway network.

Mexico's rail transport system is so slow and inefficient that only 12 per cent of goods travel by rail, compared with about 40 per cent in the US. But two-way trade between Mexico and the US – already worth more than $100bn a year - is booming under the North American Free Trade Agreement, and Kansas City Southern and TMM hope to put a greater share of this trade on rails.

Their business plan commits the joint venture to $565m of capital investment in the Northeast Railway over the next three years. As the quality of rail transport improves, the joint venture believes it will carry 18 per cent of Mexico's freight within three years and 20 per cent within five.

Kansas City Southern's chief executive, Mr Landon Rowland, acknowledged yesterday that the takeover would dilute earnings per share initially. But he predicted that operating profits would rise from $50m in year one to $311m in year three and $471m in year five, and that the effect on earnings per share should turn positive in the third year.

"With that kind of outlook, one might say that one could pay a good deal more than $1.4bn and it would still make a good deal of sense," he said. "In fact, the real question here is not why we bid so much, but why Union Pacific bid so little."

Richard Tomkins and Leslie Crawford

CBOT set for election of next chairman

By Laurie Morse in Chicago

The 3,661 members of the Chicago Board of Trade will be asked today to elect the next chairman of the world's largest futures exchange.

Mr Patrick Arbor, the current chairman, is seeking a record third two-year term, and has been endorsed by the exchange's nominating committee.

He is being opposed by Mr John Gilmore, a retired partner of Goldman Sachs who served as the exchange's chairman in 1986. Mr Gilmore is a third-generation CBOT member whose political support, as well as his family history, is concentrated in the active, but antique, grain futures pits at the exchange.

Mr Gilmore is 56 and Mr Arbor 60. Both have recently had brushes with cancer, and are successful businessmen who have little need for the $240,000 a year salary that comes with the chair.

The outcome of the election will be significant not just to exchange members and their customers, but also to the international institutions that are partners with the CBOT in new trading ventures. Both men understand that broadening the exchange's global reach is necessary, but they may take different approaches to reach that end.

Mr Arbor is a popular chairman who has won nearly all of the membership referendums he has proposed. He successfully pushed for a new $180m trading facility that will open this February.

He was also instrumental in forging the link with London's International Financial Futures Exchange that will put German bund futures on the CBOT's trading floor next May, if the project proceeds on schedule.

Last week he pushed ahead the exchange's strategy for competing with over-the-counter markets by announcing an innovative trading venture for cash government securities with partners Liberty Brokerage and Prebon Yamani. That electronic system, called Chicago Board Brokerage, will open next year and is expected to become an important trading platform for CBOT members.

In the popularity contest that the CBOT elections represent, Mr Arbor is running high. "Look at my record," he says. "Seat prices are at near record levels; volume will be a record this year, even our international market share is up."

Mr Gilmore is campaigning hard, arguing that the CBOT has only US products, and 90 per cent of its volume is dependent on volatility in US Treasury debt. "The CBOT has a serious need to diversify away from the US base," he said. "We need to be in the European time zone and we need to be the pricing mechanism in the US for European long-term debt."

Mr Gilmore said he was first to suggest a Liffe link in 1986, when he was last chairman and when Liffe was just four years old.

While he says he fully backs the CBOT/Liffe open outcry linkage plans, he says markets are rapidly evolving away from such arrangements.

National Mutual ahead of forecasts

By Nikki Tait in Sydney

National Mutual Holdings, the recently-demutualised Australian life office in which France's Axa holds a controlling stake, yesterday reported profits after tax of A$210.9m (US$169.3m) in the year to end-September – comfortably ahead of the A$198m it forecast in July when its shares were floated.

The result is an improvement on "restated" profits of A$115.5m for 1994-95, although it still falls short of the A$230.5m calculated for the 1993-94 financial year.

The rise was attributed largely to a turnround in the performance of the main National Mutual Life unit, which made A$160.5m after tax, compared with a A$26.2m loss last time.

In its prospectus, National Mutual had forecast the turnround, although it anticipated a slightly more modest result for NML, at A$150m. It said then that the forecast profit would include a substantial unrealised gain – put yesterday at A$42.5m – from the increase in the National Mutual Asia share price, and also the release of a prior provision, worth A$16.8m.

Yesterday Mr Geoff Tomlinson, managing director, also attributed the improved performance to "healthy new business volumes, an 11 per cent drop in expenses and improved investment earnings".

National Mutual Asia, the Hong Kong-based unit in which NMH lifted its stake from 51 per cent to 56 per cent in June, contributed A$99.2m, up from A$72.8m previously but slightly short of the A$105m profit predicted at the time of the share float. Mr Tomlinson blamed lower than expected investment earnings.

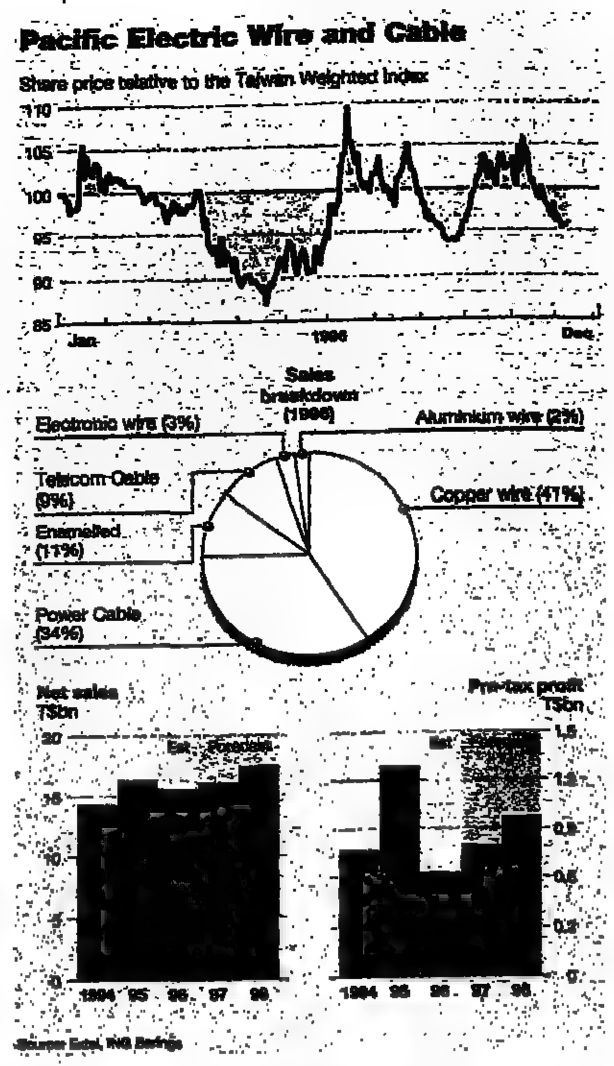
Among the smaller subsidiaries, National Mutual Funds Management reported A$14.6m profits, a up from last time's A$3.3m loss. The recovery here was attributed to reduced expenses and improved fee income. However, Australian Casualty and Life saw profits slip from A$22.7m to A$19.5m in the face of pricing pressures and increased claim costs, while National Mutual Health contributed A$5.6m compared with A$20.4m. Again, higher claims costs affected profits.

The profits figure was struck after interest charges of A$49m, up from A$1.4m previously. However, A$19m of this related to interest payments to Axa, on the bonds held by the French insurer which were repaid after NML listed.

National Mutual shares rose 6 cents to A$1.78. Asked whether the Australian insurer might one day incorporate the Axa name, Mr Tomlinson said this might be considered, but "nothing is on the cards".

Cables group plots a dual path for growth

Pewc has sights set on both diversification and expansion overseas



Pacific Electric Wire & Cable (Pewc), Taiwan's leading maker of wires and cables, plans to list a subsidiary on the *New York Stock* Exchange next year – the first time a Taiwanese company has held an initial public offering in the US.

The plan, which has been approved by US authorities, not only signals Pewc's efforts to raise its international profile and diversify its funding sources, but exemplifies the trend among Taiwanese groups to look overseas for growth and for the means to support it.

"The economic situation in Taiwan has changed completely. Manufacturing costs are high, profits are extremely low and the market for wire and cable is nearly saturated," said Mr Jack Sun, who runs the family-controlled Pacific empire, covering areas including the core wire and cable business to property to telecommunications and electronics. "So we decided to move from being a predominantly local manufacturer to a regional manufacturer."

Mr Sun predicts that in 10 years, the group's revenues will rise from about US$1.5bn in 1996 to $8bn. By that time 70 per cent of the group's revenues will come from overseas, compared with 30 per cent last year.

While expanding core businesses into overseas markets, Pewc is also moving aggressively into new and potentially lucrative business areas, both at home and in the Asia-Pacific region. Ultimately, the new businesses will far surpass the company's core business in scale and profitability.

In 10 years, Mr Sun expects only a quarter of sales to come from the core wire and cable business, compared with more than half now.

Telecoms will be a new core business for Pewc, with $2bn in revenues in five years. Electronics will also be important, generating $3bn in revenues in 10 years, partly through an 18.5 per cent stake in Mosel Vitelic, a local semiconductor maker. The company has also diversified into hotels, banking and property with moderate success.

The group has three wire and cable factories in Thailand and one in Singapore, and has gained a substantial share of those markets. The listing in New York concerns the holding company for the Thai and Singapore operations.

In the next three to five years, Pewc may double the number of its wire and cable factories in the region, including those in Taiwan, to 15, at a cost of $30m to $50m apiece. A factory in Australia began production last month; another in Shenzhen, China will begin in January 1997, bringing to two the number of factories in China.

A plant under construction in Indonesia will begin production in early 1998; and factories are planned in Vietnam, Cambodia and India.

"All of the south-east Asian countries are still developing. They need public infrastructure and they need a huge amount of wire and cable for communications," Mr Sun said.

One country Pewc has been cautious about is China. "Our company is extremely conservative regarding investment in mainland China," said Mr Sun.

"We believe that any overseas investment project must go through a rigorous evaluation process before going ahead. China is a big market but that does not necessarily mean bigger profits. We do not believe we should go to China just because we are all Chinese."

Pewc has been close to the Taiwanese government from the time Mr Sun's father came to the island in 1950, after founding the company in Beijing in 1944, and Mr Sun firmly supports the government's cautious line on China.

Reflecting widespread fears that rising Taiwanese investment in China will make Taiwan economically dependent on Taipei's rival, and thus vulnerable to political pressure from Beijing, President Lee Teng-hui in August called for a slowdown in China investment.

"I believe Mr Lee's remarks concerning China are absolutely correct. We need to keep a balance between domestic and overseas investment," said Mr Sun. "But the most important thing is to continue to invest in Taiwan in order to maintain economic growth."

Mr Sun plans to do just that if a Pewc-led consortium wins a coveted licence to set up a mobile telephone system in Taiwan, for which contracts are scheduled to be awarded at the end of this month. Pewc's share of the investment would be about $75m.

Pewc has been moving aggressively into telecoms in recent years, investing $80m in 1993 to take a 5 per cent stake in Motorola's Iridium satellite communication project.

Since then Pewc has, in partnership with other concerns, bid unsuccessfully for telecom contracts in Thailand and Hong Kong. Recently it won a licence to set up a CT-2 communication network in Taiwan.

As the second generation of the family at the helm of the wire and cable maker, Mr Sun will need a deft touch to navigate successfully its transformation into a diversified multinational conglomerate which a decade from now will bear little resemblance to its current self.

Laura Tyson

Chinese issue in demand

By John Ridding in Hong Kong

A share issue by Guangdong Tannery, a leather processing company based in southern China, has been subscribed more than 600 times, reflecting strong demand for Chinese issues and the company's growth prospects.

Guangdong Tannery said yesterday that the issue of 110m shares would be priced at HK$1.03. The proceeds will be used to fund expansion and upgrade production.

The issue, which was sponsored by Jardine Fleming Securities, will provide Guangdong Tannery with a Hong Kong listing. It is the latest business to be spun off by Guangdong Investments, the Hong Kong arm of Guangdong Enterprises.

Guangdong Enterprises is the largest commercial enterprise of the government of Guangdong, the southern Chinese province which has seen rapid industrial growth over recent years.

On the basis of the issue price, the company said that HK$21bn (US$2.7bn) of capital was frozen during the subscription period. This resulted in net interest income of HK$14m on the subscription funds.

Mr Kevin Chong, financial controller, said the high level of subscriptions meant that public applications could be allotted only on the basis of 0.15 per cent of subscriptions.

CCF takes 5% in India finance group

Crédit Commercial de France, the French bank, has taken a 5 per cent stake in India's Infrastructure Leasing and Financial Services, writes Tony Tassell in Bombay.

ILFS said the $10m acquisition would be one of the largest French equity investments in India.

ILFS was set up in 1988 by a consortium of Indian financial institutions to promote infrastructure development and provide corporate finance. In March, the World Bank granted a loan of $200m for infrastructure development.

The International Finance Corp holds a 7-8 per cent stake in the company, while Orix Corp of Japan has 20 per cent.

Mitsubishi Motors, Chrysler in talks

By Michiyo Nakamoto in Tokyo

Mitsubishi Motors and Chrysler are in talks about continuing their US production alliance after the current contract expires in 1999.

Under the agreement, Mitsubishi's US arm has been producing three models – two sedans and a sports car – for Chrysler at its facility in Illinois. Chrysler had originally been planning to terminate the alliance after the contract expires.

However, buoyant sales of the cars from Mitsubishi led to a reassessment of that decision, according to a Japanese press report. Mitsubishi confirmed in Tokyo that the talks were going on, but said no decision had been made.

Continuation of the deal with Chrysler would be a significant fillip for Mitsubishi, which has been suffering low capacity utilisation at its US facility. Capacity utilisation has been at about 60 per cent for many years, and the facility has only occasionally made a profit, Mitsubishi Motors admitted earlier this year.

As a result of the US difficulties, the Japanese parent company was forced at the end of the last financial year to March to take an extraordinary loss to reflect the writing-down of the value of its US production arm, where liabilities had exceeded assets by $400m.

COMPANIES AND FINANCE: UK

Northern Electric in supply negotiations

By Simon Holberton

Northern Electric, the Newcastle-based electricity company facing a £782m ($1.28bn) hostile bid from CalEnergy of the US, yesterday unveiled plans to increase dividend payments and to merge its electricity and gas supply businesses with another regional electricity company.

Although it did not name the other company, it is understood to be London Electricity.

Mr David Morris, chairman, said Northern would increase by 17 per cent to 50p a share its 1998 dividend and undertook to raise annual dividends by 7 per cent a year thereafter. Its full year dividend for 1996-97 will be 42.7p – up 7 per cent.

Mr Morris encouraged shareholders to reject CalEnergy's bid and stick with a management which he claimed had delivered on past promises. "Our enhanced dividend policy reflects the underlying strength and prospects of Northern Electric," he said.

CalEnergy accused the company of "rearranging the deck chairs". On Friday the US independent power producer lifted its offer to 650p from 630p and declared the bid final. "The choice remains clear: 650p in cash or a collapse in the price of Northern Electric ordinary shares," said Mr David Sokol, its chairman.

The company's second defence in as many weeks left sector analysts impressed and speculating that the bid has become more difficult to call. The development which caught the market's eye was the announcement of supply negotiations with another electricity company. Northern shares rose 4¼p to 610p.

Brendan Corr

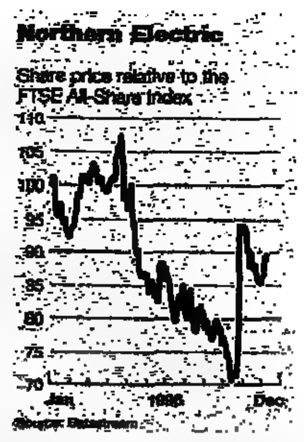
David Morris: second defence impressed City yesterday

LEX COMMENT

Nthn Electric

Yesterday's defence was much sprightlier than Northern Electric's first attempt. Not only are there aggressive promises on dividends but the planned pooling of Northern's supply business with London Electric's should bring more purchasing clout and healthy cost savings. But although this plan is creative, shareholders should not get over-excited. If fat benefits can be extracted from combining supply businesses, other electricity companies will follow suit and a big chunk of the benefits will probably be competed away. Shareholders might also ask why the plan – together with some other titbits revealed yesterday – is only emerging now, *after* CalEnergy's final bid. If they had been disclosed earlier, CalEnergy's offer might surely have reflected them. Who knows? If Northern had revealed all to CalEnergy at the outset, it might even have had more luck negotiating a friendly offer nearer £7.

As it is, even if Northern makes a last-ditch attempt with the increased special dividend it could still afford, shareholders are unlikely to back the management. Prudential, the biggest shareholder, quite rightly argues that CalEnergy's offer is not generous by the sector's previous standards. But it is still more than Northern's underlying value – and considerably more than its likely share price if the bid fails. A last-minute counter-bid could yet emerge. But to block CalEnergy's bid in hope of a higher offer later on would be a formidable gamble.



Further shares to be issued as sales raise less than expected

Costain makes £52m disposals

By Andrew Taylor, Construction Correspondent

Costain plans to issue another tranche of shares in a further bid to bolster its finances following the sale for £52m ($85.3m) of its US coal and London property interests, announced yesterday after the London stock exchange had closed.

The coal business raised much less than the construction and engineering group had expected when it attempted to sell the business earlier this summer.

Mr Alan Lovell also announced he is resigning as Costain's chief executive.

Renco, a privately owned US mining corporation, has agreed to pay an estimated $34m for the coal operations. It would also assume responsibility for $13m of capitalised leasing obligations.

Lonrho, the UK based conglomerate, in July had offered to buy Costain's coal business in a deal worth £50m but pulled out at the last minute.

Mr Lovell said higher than expected coal losses this autumn had forced down the price.

They also meant that Costain had breached UK Companies Act requirements that parent company net assets should not fall below 50 per cent of called up share capital.

Mr Lovell said: "This is merely a technical breach and we will not be recommending any action when we report to shareholders at an extraordinary meeting on January 6."

An earlier meeting on December 27 will be asked to approve disposal terms for the coal business and the separate sale for £23.4m of Costain's third share in the redevelopment of Spitalfields in London's East End to Metacorp of Malaysia.

Metacorp is 28 per cent owned by Intria, a Malaysian group, which this summer purchased at 40 per cent stake in Costain as part of a £73.6m rescue share issue.

Costain yesterday announced plans to raise at least another £5.4m from options to buy 13.4m new shares granted to Mr Henri Lubur, an Indonesian industrialist, and to Kharafi, a Kuwaiti based construction company.

Kharafi has a 25.35 per cent stake in Costain and wants to maintain it at that level.

Mr Lovell said the cash raised would further strengthen Costain's finances which would remain constrained even after the coal sale.

The company at the end of October had net debt of £38m compared with shareholders funds estimated to be £10m-£15m following the US coal losses.

Mr Lovell said: "I had always intended to resign when Costain's financial restructuring was completed. It would be better if the company was run by an engineer from this point on."

Sterling's strength hits RJB

By Ross Tieman

RJB Mining, the UK's biggest coal producer which bought most of British Coal's pits when the industry was privatised in 1994, became the latest victim of the strong pound yesterday.

RJB shares slid 23.7 per cent to 485p after the company's broker, BZW, warned that RJB would be forced to cut prices to fend off imported coal priced in US dollars.

The potential effect on profits is a significant setback for a company which had persuaded investors against significant odds to back it during an acrimonious series of negotiations for British Coal's pits. Rival bidders said RJB had paid too much and was in danger of overstretching itself.

The broker, which had been more bullish than independent analysts, cut its pre-tax profit forecast for 1997 by £40m to £192m ($314.9m).

Mr Gordon McPhie, finance director, said the rise in sterling from an average $1.50 to about $1.65 would hit profitability.

RJB sells most of its output to electricity generators in the UK under long-term contracts. But according to BZW, RJB has no contracts for about 11m tonnes of its planned 35m tonnes output next year. The broker predicts the price of these tonnages will be cut by about £3/tonne, or 10 per cent, to compete with dollar imports, leaving the group without a profit on 11m tonnes of production.

The appreciation of sterling will also impact discussions which begin next year between RJB and its two main customers, National Power and PowerGen, about replacement contracts.

RJB shares are now on a prospective p/e of just 4.5 for 1997, offering a yield of 8 per cent.

Shell to sell Swiss refinery

By Deborah Hargreaves

Royal Dutch/Shell, the Anglo-Dutch oil group, put its Swiss refinery up for sale yesterday as part of a plan to improve profits in its poorly-performing refining sector.

Shell also said it would close two lubricants plants in the Netherlands and Belgium and concentrate its European lubricants production in Paris and Hamburg.

The sale of the Cressier refinery in Switzerland does little to change Shell's refining configuration, since it represents just 4 per cent of its European capacity. The plant produces 60,000 barrels a day and is not one of Shell's core operations.

Shell reported a 40 per cent drop in profits from its refining and marketing arm in the third quarter, to £337m ($552.7m) despite higher volumes. European refining returns have been poor throughout the industry for the past five years because of over-capacity.

The company will join other refiners in presenting an industry-wide rationalisation plan for south-east France at the end of January and restated its efforts to improve the profitability of its Shell Haven plant in the Thames estuary.

"This is a set of very specific responses to our three weakest refineries," said Mr Paul Skinner, director of Shell International Petroleum. The company's overall financial target was to achieve a 12 per cent return on average capital employed. "Refining has been in the single digits for 10 years ... It is unlikely the refining operations will meet that target in the next three to five years," he said.

The City was expecting more dramatic moves, and the shares fell just ½p to 986p.

"Refining is regarded as Shell's Achilles heel, but it is not just their problem", said Mr Nick Antill, oil analyst at BZW.

Shell has refining capacity of 1.6m b/d in western Europe and its 14 refineries have a 13 per cent market share.

Debutant Colt shrugs off market anxieties

By Nicholas Denton

Colt Telecommunications shrugged off the stockmarket plunge which has caused several companies to cancel flotation plans, and soared 13 per cent at the debut yesterday of its heavily oversubscribed offering.

Yesterday's closing share price of 310p – which values the company at £340m, about 11 times revenue – reflects the attraction to investors of alternative telecoms companies such as Colt, which are encroaching on the dominant European operators.

Through the share offering, and a parallel sale of high-yield debt, Colt is set to raise £190m to finance its expansion from the City of London to other main European financial centres.

Fidelity, the US fund management company which has financed the three-year venture and owned 100 per cent, will see its shareholding fall to 73 per cent.

Colt, for which Morgan Stanley acted as global co-ordinator, first indicated a price range of 225-250p. Demand was so intense that Colt raised the issue price to 275p, but even at that level the offering was more than five times subscribed.

Wise Speke, Discovery Inns and Morgan Crucible have this week cancelled their flotation plans following last Friday's drop in world stock markets. But in the first day of trading on New York's Nasdaq market and the London Stock Exchange, unsatisfied demand for Colt pushed its shares 35p above the issue price, giving investors an immediate £11m profit.

Although Colt took only £22.5m in revenue in the first nine months and continues to make losses, investors expect it ultimately to emulate US counterparts. One US alternative access provider, MFS Communications, was taken over earlier this year in a bid worth $14bn.

The higher price achieved by Colt, and an expected 15 per cent increase in the issue size in response to demand, will generate proceeds of £85m, compared with the £66m first envisaged. At the same time, Colt has upped a parallel issue of high-yield debt to raise a further £106m.

Colt provides cut-price telecoms services to large institutions such as Reuters, Bankers Trust, Midland Bank, the London Stock Exchange and the House of Commons, but is at present focused almost exclusively on the City of London.

The funds will finance its expansion as it builds a high-capacity fibre-optic telecoms network in Paris and attacks German business markets in cities including Berlin, Cologne, Munich and Hamburg. Colt said it expected to raise further capital in 1998.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alba	6 mths to Sept 30	79.3	(69.4)	1.43♠	(2.58)	2.21	(4.27)	1.25	Apr 28	1.25	-	6
Allders	Yr to Sept 30	755.9	(738.1)	40.4♥	(23.5♥)	17.1	(15.4)	3.7	Feb 20	4.6	52.14♦	7
Anglian Group	6 mths to Sept 30	106.7	(102.8)	9.53	(4.46)	7.3	(3.5)	3.6	Feb 17	3	-	7.5
Anglo United	6 mths to Sept 30	37.3	(96.4)	0.3L	(10.2L)	0.1L	(1.2L)	-	-	-	-	-
Ashanti Goldfields	Yr to Sept 30 $	442.1	(387.7)	71.4	(106.2)	0.79	(1.22)	-‡	-	0.25	-	0.375
Berkeley	6 mths to Oct 31	203.2	(146.3)	30.1	(19)	21.2†	(16)	2.5	Feb 14	2.2	-	8.4
British Land	6 mths to Sept 30	147.8□	(108.7□)	34.2	(18.9)	5.4	(2.5)	2.92	Feb 21	2.78	-	8.55
BSS	6 mths to Sept 30	164.7	(151.9)	6.08	(6.79)	14.7	(16.8)	6.5	Jan 27	6.5	-	20.5
Caltech	Yr to Sept 30	13.2	(17.1)	3♥	(5.4L)	3.5	(8.5L)	-	-	-	-	-
Chubb Security	6 mths to Oct 11	427.4	(383.2)	46.1	(44.4)	9.91	(9.6)	2.86	Feb 14	2.6	-	8.4
Compass	Yr to Sept 29	2,652	(1,506)	127.6♥	(73.2)	31.6†	(22.6)	5.85	Mar 27	5.15	8.6	7.6
Drummond	6 mths to Sept 30	29.7	(25.5)	0.805	(0.551♥)	2.97	(1.88)	0.5	Jan 24	0.4	-	1.5
Eurocopy	Yr to Sept 30	24.4	(24.2)	4.78	(4.22)	5.47	(5.68)	1.76	Apr 4	1.55	2.64	2.3
Greenwich Comms §	Yr to Aug 31	0.109	(0.152)	0.042L	(0.057L)	0.59L	(0.82L)	-	-	-	-	-
Halma	6 mths to Sept 28	85.1	(80.8)	17.1	(14.4)	4.27	(3.61)	1.21	Feb 10	1.008	-	2.584
Hill Hire	6 mths to Sept 30	9.73	(8.61)	1.11♠	(1.47)	3.02	(4.5)	1.33	Jan 31	1.23	-	3.69
Holmes & Marchant	Yr to Sept 30	25	(24)	0.951	(0.007)	2.5	(nil)	nil	-	nil	nil	nil
Hozelock	Yr to Sept 28	51	(51.5)	9.81	(9.27)	27.2	(25.8)	7.9	Feb 14	6	11	8.7
Leeds	Yr to Sept 30	89.7	(60.5)	3.06♠	(7.53)	5.7‡	(17.8)	4.4	Jan 29	4.4	6.7	6.6
Novo	6 mths to Sept 30	8.58	(8.49)	1.61	(1.46)	2.1	(1.85)	0.5	Feb 20	0.4	-	1.4
Precoat Intl	6 mths to Oct 31	24.1	(23.1)	1.58	(1.56)	7.33	(7.16)	2.3	Jan 24	2.2	-	5.5
Real Time Control	6 mths to Sept 30	6.31	(5.33)	1.15	(0.742)	.11	(7.1)	-	-	-	-	5
Sage	Yr to Sept 30	136.2	(102.2)	30.1♠	(22.4)	18.5†	(13.88)	1.76	Feb 20	1.6	2.64	2.4
Scott Pickford	6 mths to Sept 30	4.45	(3.48)	0.094L♠	(0.142L)	0.61L	(0.79L)	-	-	-	-	1
Secure Retirement	6 mths to Sept 30	0.853	([illegible])	0.08L	(0.132)	0.68L‡	(1.01)	-	-	-	-	1
Shelton (Martin) §	6 mths to Sept 30	2.19	(2.35)	0.044L	(0.011)	0.55L	(0.14)	1.25	Jan 28	1.25	-	4.25
Tams (John)	6 mths to Sept 30	12.8	(13.3)	0.631	(0.314)	1.54	(0.77)	1.6	Jan 20	1.6	-	4.01
Theo Fennell φ	6 mths to Sept 30#	4.81	(3.48)	0.285	(0.003)	1.22	(0.02)	-	-	-	-	-
Total Systems	6 mths to Sept 30	1.48	(1.27)	0.186	(0.054L)	1.329	(0.442L)	0.5	Feb 28	-	-	1
Triad	6 mths to Sept 30	6.35	(3.72)	1.22	(0.778)	3.22	(2.51)	1	Jan 14	-	-	-
Waterfall φ	Yr to Sept 29 ★	6.83	(3.38)	0.63	(0.034♠)	3.8	(0.36)	-	-	-	-	-
Whe[illegible]	Yr to Sept 30	88.7	(85.9)	0.56♠	(1.31♠)	0.24	(1.64L)	1.4	Feb 14	3	2.5	4.5
Widney	Yr to Sept 28	37.9	(34.7)	0.778♠	(1.65)	3.11	(10.24)	2.5	Apr 7	2.5§§	3.5	3.438§§
Yorkshire Elect	6 mths to Sept 30	808.3	(820.1)	80.8	(110.6)	39.3‡	(45)	15.8	Mar 25	11.86	-	36.18

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Cap for Cos VCT	7 mths to Oct 31	98.4	(-)	0.088	(-)	2.2	(-)	-	-	-	-	-
Fidelity Asian	20 wks to Oct 31	100.33	(-)	0.294	(-)	0.29	(-)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ♦Includes 48p special. $US currency. ‡Final for current 15 month period to December to be paid at end of April. †On increased capital. □Gross rental income. ‡On reduced capital. φAim stock. #Comparatives for eight months. §USM stock. ★Comparatives restated. §§After share consolidation.

Gilts catch up as Europe moves sideways

GOVERNMENT BONDS

By Samer Iskandar in London and Lisa Bransten in New York

European bond markets moved sideways yesterday in the absence of significant economic data releases. UK gilts, however, managed a healthy rise, outperforming German bunds and other markets.

Liffe's March long gilt future settled at 110$\frac{1}{32}$, up ½. In the cash market, the 10-year benchmark gilt rose $\frac{5}{32}$ to 100$\frac{3}{32}$, its yield spread over the equivalent bund tightening by 6 basis points to 187 points.

Analysts said the rise was technical, with gilts catching up with other markets after several consecutive weeks of underperformance.

Traders will today seek inspiration from the policy meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the Bank of England governor.

"The November producer price data will probably swing the argument at the meeting in favour of delaying consideration of an interest rate increase," said Mr Stephen Lewis, chief economist at the London Bond Broking company. Producer price inflation has slowed to an annualised rate of 2.1 per cent in November, its lowest level this year.

However Ms Sharda Persaud, an economist at San Paolo Bank in London, predicts that a rise in interest rates, although not imminent, will become inevitable in order to achieve the government's target of 2.5 per cent consumer price inflation. San Paolo Bank expects the base rate to rise by 50 basis points in the next couple of months.

In France, the December notional contract at Matif, the futures exchange, rose in early trading, before reversing its gains to close 0.24 lower at 128.70.

Although the session was temporarily interrupted early in the afternoon by a bomb scare in the Paris Bourse, trading was switched to Globex, the electronic system usually reserved for after-hours dealing.

In the cash market, the 10-year yield spread of bunds over OATs tightened to 4 basis points, from 7 points on Monday, as the 10-year benchmark bund closed almost unchanged at 103.40.

Analysts said the French market was vulnerable to worries that no agreement would be reached on a stability pact for countries participating in European economic and monetary union.

"If [European officials] fail to agree a stability pact at the Dublin summit [next weekend] the franc could easily weaken to FFr3.40 against the D-Mark", said Mr David Brown, chief European economist at Bear Stearns. "This will not bolster investor confidence in French assets." The franc was trading at FFr3.383 to the D-Mark, down from FFr3.379 on Monday.

US Treasuries edged lower in quiet trading as the focus switched to data due to be released later this week and on signs of strengthening consumer spending.

Near midday, the 30-year Treasury was $\frac{1}{8}$ lower at 100¼ to yield 6.476 per cent and the two-year note was down $\frac{1}{32}$ to 99$\frac{25}{32}$ yielding 5.692 per cent. The March 30-year bond future fell $\frac{1}{32}$ to 114¼.

There was little important economic data released, but traders paid some attention to the BTM/Schroders index of weekly chain-store sales, which showed a 1 per cent uptick last week.

Data on November producer and consumer prices in set to be released today and tomorrow, but economists do not expect the figures to show an increase in wholesale or retail inflation.

Mr David Munro, chief US economist at High Frequency Economics, believes core consumer and producer price indices – which exclude the volatile food and energy components – will advance 0.3 per cent. That is slightly ahead of the consensus forecast, but he still sees no signs of inflationary pressure in the economy.

Bonds came under some pressure from a decline in the dollar against the yen and the D-Mark. In early trading, it was changing hands at Y113.28 and DM1.5526 against Y113.42 and DM1.5575 on Monday.

● The Deutsche Terminbörse (DTB), Germany's futures and options exchange, is planning to add a two-year interest rate future to its product range. Trading in the new contract is expected to begin in the first quarter of 1997. It is being launched to meet increased interest from participants in short-term capital market instruments.

Local buying buoys Shanghai B-share prices

By Tony Walker

Shanghai B-shares leapt by more than 12 per cent yesterday as predominantly local investors poured funds into the market.

China's B-shares – the only mainland-listed securities in which foreigners are allowed to invest – have staged a remarkable turnround since registering an all-time low a month ago.

Brokers have attributed the rise to renewed confidence among the Chinese that they can buy B-shares without being punished. Officially, domestic buying of the foreign currency-denominated shares is banned.

The Shanghai market index has risen by about 90 per cent to 84.53 from a low on November 11 of 44.58. The index's high was 105.78 in December 1993.

Mr Gary Zheng, an analyst at Jardine Fleming, attributed the surge to local investors seeking to take advantage of the price difference between A and B-shares. He expects the market to go higher before falling back.

"I don't think the temperature will cool down right away," he said. "But maybe the government will close the door [to local investors] and the market will plummet ... that would be a disaster."

Investors believe the wide gap between A-shares and B-shares – which until recently were trading at a discount of 80 per cent – would narrow. Chinese stock market regulators say they plan to merge the two markets, but have given no timetable.

The authorities loosened restrictions on local investors buying "hard currency" shares, denominated in US-dollars in Shanghai and Hong Kong-dollars in Shenzhen – China's two bourses – after November's market low.

But regulators will almost certainly be concerned about the wild speculation which is propelling the B-share market, with investors going after languishing second and third-tier stocks whose earnings have been dismal due largely to a lingering credit squeeze.

"What we're seeing is a lot of stir-frying of dog stocks," said Mr Bruce Richardson of HG Asia in Shanghai. "There's nothing in the fundamentals to justify this. But this is liquidity-driven, and there is a lot more money to come in."

The Shenzhen B-share market fell back yesterday, dropping 2.15 per cent to 193.87 after recent heady rises. Brokers attributed the fall to profit-taking.

China's announcement that it would make its currency convertible on the current account by the end of the year has helped spur buying of B-shares because of expectations that this would facilitate the merging of foreign and local currency markets, but Chinese officials have sought to cool such speculation.

Mr Zheng said thousands of new B-share trading accounts had been opened in Shanghai over the past week or so. Investors were also scrambling for dollars to feed the market.

"This is total speculation," he said. "Many of these investors don't know much about the stocks, they just know B-shares are lower than A-shares."

Argentina taps D-Mark sector for further DM1bn

INTERNATIONAL BONDS

By Conner Middelmann

Emerging-market borrowers came to the eurobond market for a year-end issuing binge yesterday, including another jumbo D-Mark offering for the Republic of Argentina.

Argentina, which has built up an impressive D-Mark yield curve this year, ranging from three-year to 30-year maturities, issued DM1bn of bonds maturing late February 2005 and priced to yield 295 basis points over bunds.

According to an official at CS First Boston, joint book-runner with Deutsche Morgan Grenfell, the deal saw healthy demand from German and Swiss retail accounts.

"It shows what a strong franchise Argentina has in the D-Mark market," he said. "All its previous deals have worked well and [the spreads] have tightened."

Other dealers complained that the deal was too tightly priced and launched too close to year-end, but the CS First Boston official said: "The people who buy this paper don't look at spreads – this is the only deal where they can get a nice high coupon at a price below par."

Union Bank of Switzerland scored a success in the sterling market, where its £250m of 10-year subordinated bonds were snapped up by UK and Swiss institutions. The transaction was helped by the fact that there has been no 10-year sterling issuance since Hanson Trust announced some weeks ago that it was buying back £500m of bonds due 2006.

Oversubscription caused the launch spread of 39 basis points over gilts to narrow to 36 during the session. Investors did not seem daunted by the fact that UBS's credit ratings with Standard and Poor's – AA+ for subordinated debt and AAA for senior debt – are under review for possible downgrade, dealers said.

Avtobank became the first Russian bank to tap the eurobond market, with a $25m offering of six-month floating-rate notes. "It's a small offering, but it's a good start," said an official at lead HSBC Markets. "More Russian banks are likely to tap the market next year because of the dollarised nature of their balance sheets."

During the last eight months, several Russian banks have raised money in the syndicated bank loan market, paying interest margins of between 450 and 600 basis points over Libor, similar to Avtobank's coupon of 550 basis points over Libor.

Elsewhere, Globopar, the Brazilian media group, launched $250m of 10-year and $100m of eight-year bonds, via Citibank; Brazil's Globex Utilidades launched $100m of eight-year bonds via Bank of Boston; and Argentina's Banco Tornquist issued $75m of two-year paper via Deutsche Morgan Grenfell.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Globopar(a)	250	10.50#	99.441R	Dec 2006	1.00R	+437½(6⅞-06)	Citibank International
Globopar(b)	100	9.875#	99.823R	Dec 2004	0.75R	+375(5⅞%-01)	Citibank International
Bayerische Hypo	200	8.00	99.945R	Jan 2000	0.20R	+15(5⅞Nov99)	Paribas Capital Markets
Foreningsbanken(c)‡	100	(c1)	99.785R	undated	0.625R	-	Salomon Brothers Intl
Foreningsbanken‡	100	(d)	99.717R	Dec 2003	0.50R	-	Salomon Brothers Intl
Indover Bank‡	150	(e)	100.00R	Jan 2002	0.25R	-	ABN/HSBC/Sumitomo
Globex Utilidades(f)★	100	(f1)#	99.879R	Dec 2004	0.625R	+350(5⅞%-99)	Bank of Boston
Banco Tornquist	75	8.75#	100.00R	Dec 1998	0.50R	+305(5⅞%-98)	Deutsche Morgan Grenfell
D-MARKS							
Republic of Argentina(g)	1bn	9.50	99.50R	Feb 2005	1.125R	+295(7¼%-05)	CSFB/Deutsche MG
SWISS FRANCS							
Kingdom of Sweden	200	4.00	101.50	Jan 2007	2.75	-	Credit Suisse
STERLING							
UBS, London Branch	250	8.00	99.82R	Jan 2007	0.35R	+39(7¼%-06)	UBS
LUXEMBOURG FRANCS							
Euro Coal & Steel Comm	2.5bn	4.75	101.85	Jan 2002	1.625	-	BCEE/BGL/BIL
DANISH KRONER							
DSL Finance	400	5.875	101.775	Jan 2003	1.875	-	Generale Bank
AUSTRALIAN DOLLARS							
NSW Treasury Corp(g)	100	7.00	101.11	Jul 2002	2.00	-	Toronto-Dominion Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★ Unlisted. ‡ Floating-rate note. # Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Callable from 20/12/01 at 104½% falling 1½% pa to par. b) Callable & puttable on 20/12/01 at 99.74% and 98.79%. c) Callable from Dec 01 at par. c1) 3-mth Libor +75bp to Dec 01, then +225bp. d) 3-mth Libor +55bp. e) 3-mth Libor +30bp. f) Callable & puttable on 13/12/99 & 01 at par. f1) 9¼% to 13/12/99, then 9¾% to 13/12/01, then 10¼%. g) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	95.7460	-0.140	7.38	7.08	7.37
Austria		5.875	07/06	100.1200	-0.020	5.85	5.73	6.09
Belgium		7.000	05/06	107.8600	+0.120	5.88	5.73	6.13
Canada *		7.000	12/06	105.0000	+0.070	6.32	6.02	6.44
Denmark		8.000	03/06	108.9400	-0.020	6.67	6.51	6.88
France	BTAN	5.500	10/01	103.5000	-0.130	4.67	4.51	4.96
	OAT	6.500	10/06	105.6700	-0.060	5.74	5.60	6.00
Germany Bund		6.250	04/06	103.4000	+0.030	5.77	5.62	6.02
Ireland		8.000	08/06	109.7700	+0.040	6.73	6.50	6.93
Italy		9.500	02/06	113.4600	-0.020	7.44†	7.43	8.16
Japan	No 140	6.600	06/01	122.0791	-0.060	1.42	1.40	1.80
	No 182	3.000	09/05	104.1659	-0.060	2.45	2.38	2.55
Netherlands		8.500	06/06	119.5300	+0.020	5.78	5.60	5.94
Portugal		9.500	02/06	116.8200	+0.070	6.98	6.86	7.82
Spain		8.800	04/06	112.2200	+0.670	6.95	6.86	7.58
Sweden		6.000	02/05	95.1368	-	6.79	6.73	7.30
UK Gilts		8.000	12/00	103-07	+6/32	7.06	6.99	7.08
		7.500	12/06	100-03	+18/32	7.49	7.33	7.59
		9.000	10/08	111-04	+21/32	7.56	7.42	7.70
US Treasury *		6.500	10/06	102-04	-3/32	5.21	6.02	6.39
		6.500	11/26	100-09	-3/32	6.48	6.32	6.69
ECU (French Govt)		7.000	04/06	106.0300	-0.400	6.13	5.96	6.41

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields	
Prime rate	8¼	One month [illegible]	Two year 5.71
Broker loan rate	7	Two month [illegible]	Three year 5.83
Fed.funds	[illegible]	Three month [illegible]	Five year 5.99
Fed.funds at intervention	[illegible]	Six month [illegible]	10-year 6.22
		One year [illegible]	30-year 6.49

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	129.04	128.70	-0.24	129.10	128.66	111,080	105,916
Mar	129.14	128.80	-0.24	129.18	128.68	36,415	100,682
Jun	127.94	127.60	-0.24	128.24	127.74	189	8,592

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
126	-	-	-	0.03	0.20	0.34
127	-	-	-	0.06	0.34	0.54
128	1.03	-	-	0.22	0.63	0.89
129	0.42	0.86	1.12	0.62	1.06	-
130	0.10	0.46	0.68	-	-	-

Est. vol. total, Calls 16,344 Puts 15,805. Previous day's open int., Calls 135,468 Puts 141,000.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.93	100.60	+0.03	100.98	100.60	169912	223236
Jun	99.91	99.91	+0.01	99.95	99.81	443	43

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
10050	0.54	0.93	1.16	1.18	0.24	0.63	0.86	1.77
10100	0.26	0.65	0.87	0.87	0.46	0.85	1.07	2.08
10150	0.10	0.44	0.65	0.79	0.80	1.14	1.35	2.38

Est. vol. total, Calls 16826 Puts 10249. Previous day's open int., Calls 183946 Puts 146226

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	128.83	128.48	-0.06	129.24	128.22	42462	82316
Jun	128.40	128.05	-0.07	128.51	128.40	50	465

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
12800	2.08	2.75	1.60	2.70
12850	1.84	2.51	1.86	2.96
12900	1.62	2.29	2.14	3.24

Est. vol. total, Calls 2214 Puts 3392. Previous day's open int., Calls 87130 Puts 64426

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	112.15	111.97	+0.11	112.40	111.60	78,624	62,074
Mar	111.67	111.48	+0.16	111.90	111.12	13,284	19,581

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110-14	110-27	+0-19	110-29	110-14	3652	10229
Mar	109-27	110-05	+0-18	110-09	109-24	45209	137725

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
110	0-43	1-17	1-38	2-07	0-35	1-07	1-28	2-41
111	0-16	0-62	1-08	1-44	1-08	1-42	1-62	3-14
112	0-04	0-32	0-48	1-21	1-60	2-22	2-38	3-56

Est. vol. total, Calls 3030 Puts 1710. Previous day's open int., Calls 37402 Puts 26814

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	96.18	95.78	-0.38	96.18	95.72	1,929	6,322
Mar	95.72	95.36	-0.38	95.74	95.36	1,003	2,568

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	114-27	114-22	-0-04	114-30	114-17	19,728	102,591
Mar	114-15	114-10	-0-04	114-22	114-05	198,609	375,278
Jun	113-27	113-25	-0-05	113-29	113-23	1,413	14,189

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	125.53			125.70	125.53	1295	n/a
Jun	124.19			124.24	124.19	324	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

UK Indices

Price Indices UK Gilts	Tue Dec 10	Day's change %	Mon Dec 9	Accrued interest	xd adj. ytd
1 Up to 5 years (21)	120.98	0.16	120.79	2.17	9.44
2 5-15 years (19)	140.16	0.55	140.37	1.87	11.66
3 Over 15 years (7)	169.85	0.93	168.29	3.20	11.85
4 Irredeemables (6)	193.10	1.05	191.09	1.63	13.47
5 All stocks (53)	144.18	0.47	143.48	2.27	10.97

	Low coupon yield Dec 10	Dec 9	Yr. ago	Medium coupon yield Dec 10	Dec 9	Yr. ago	High coupon yield Dec 10	Dec 9	Yr. ago
5 yrs	7.15	7.22	6.65	7.22	7.29	6.95	7.26	7.33	7.03
15 yrs	7.65	7.74	7.62	7.62	7.71	7.66	7.59	7.08	7.73
20 yrs	7.73	7.82	7.65	7.64	7.74	7.73	7.60	7.70	7.78
Irred.†	7.80	7.90	7.79						

Index-linked	Tue Dec 10	Day's change %	Mon Dec 9	Accrued interest	xd adj. ytd		Inflation 5% Dec 10	Dec 9	Yr. ago	Inflation 10% Dec 10	Dec 9	Yr. ago
6 Up to 5 years (2)	202.99	0.05	202.89	1.14	5.28	Up to 5 yrs	3.23	3.24	2.76	2.59	2.59	1.66
7 Over 5 years (10)	195.48	0.18	195.13	1.51	4.71	Over 5 yrs	3.54	3.56	3.51	3.35	3.36	3.33
8 All stocks (12)	195.22	0.17	194.89	1.46	4.69							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Dec 10	Dec 9	Dec 6	Dec 5	Dec 4	Yr ago	High*	Low*
Govt. Secs. (UK)	94.50	94.15	93.90	95.11	95.41	95.69	98.34	91.59
Fixed Interest	116.54	117.05	117.01	117.61	117.82	114.77	117.82	110.74

Gilt Edged Activity Indices

	Dec 9	Dec 6	Dec 5	Dec 4	Dec 3
Gilt Edged bargains	92.0	93.7	97.8	93.0	92.5
5-day average	93.6	91.1	92.7	91.3	93.1

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 10

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅝	101⅛		6.32
ABN Amro Bank 7¼ 05	1000	103¼	103⅝	+⅛	6.67
African Dev Bk 7¾ 23	500	102⅝	102⅞		7.17
[illegible]					
Spain 7¼ 03	4000	109½	109½	+¼	5.41
Volkswagen Intl Fin 7 03	1000	106⅝	107⅛		5.69
World Bank 5⅝ 03	3000	103½	103¼		5.32
World Bank 6⅛ 02	3000	105¼	105⅝	+¼	5.05
[illegible]					
Abbey Natl Treasury 8 03 £	1000	101⅞	101⅞	+⅛	7.70
British Land 8⅞ 23 £	150	97	97⅝	+⅛	9.39
Denmark 6⅛ 98 £	800	99¼	99⅞		6.66
Depfa Finance 7⅞ 03 £	500	96⅞	97	+⅛	7.72
[illegible]					

SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

* No information available - previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day-Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread-Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn-The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price-Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem-Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)						
[illegible]						

Five to Fifteen Years; Over Fifteen Years; Undated; Index-Linked; Other Fixed Interest: [illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for March 1996: 151.5 and for October 1996: 153.8.

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

Sterling rebounds further on Japanese buying

MARKETS REPORT

By Simon Kuper

The pound continued its rebound from last week's plunge, on a day of slack trading ahead of the European Union's Dublin summit and the Christmas holidays.

Sterling gained half a cent against the dollar and 0.3 pfennigs against the D-Mark in London yesterday to close at $1.652 and DM2.567. Traders said some Japanese banks bought pounds to provide against outstanding loans to Eurotunnel.

The dollar shrugged off a new record for the US current account deficit, because the shortfall was funded by record purchases by foreign investors of US treasury bonds. The US currency softened against the D-Mark and yen, partly on early talk that Kampo, the Japanese public fund, would hedge its foreign bond holdings because of the dollar's recent strength. The dollar was supported by an optimistic survey of National Association of Purchasing Management members.

The US currency fell 0.3 pfennigs against the D-Mark to DM1.554 and Y0.1 against the yen to Y113.3.

The D-Mark initially surged against the lira, on reports that the CDU, the leading partner in the German coalition, would seek to prevent Italy from joining European monetary union at the first stage in 1999, delaying its entry to 2002 instead. But the lira recovered later, closing just L0.8 down against the German currency at L985.6. The D-Mark rose from SFr0.853 to a new 30-month high of SFr0.854 against the Swiss franc, as Swiss monetary policy was expected to remain loose.

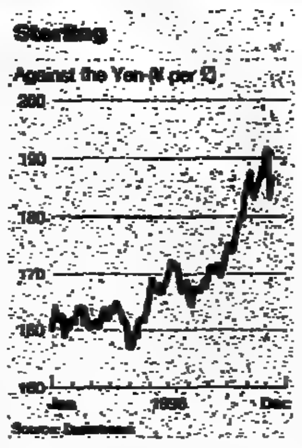
■ Pound in New York

Dec 10	Latest	Prev. close
£ spot	1.6505	1.6470
1 mth	1.6498	1.6461
3 mth	1.6472	1.6437
1 yr	1.6336	1.6298

■ Currency strategists are unsure what talks on the proposed stability pact for Emu have produced so far. The pact, which would lay down fiscal targets that states joining Emu must meet for years to come, will probably be the main topic in Dublin later this week.

Strategists disagree on whether negotiations have gone smoothly. Germany is pushing for a strict pact; the other states want a looser one. Mr John Bruton, the Irish prime minister, said yesterday that the German Chancellor Helmut Kohl and the French President Jacques Chirac had made progress towards a deal at their meeting in Nuremberg on Monday. But he said the issue was still unresolved.

Mr Michael Burke, senior economist at Citibank in London, warned yesterday that the Germans would rather walk out on talks, delaying a pact, than agree to a weak document. If they did so, that could create doubts about whether Emu would occur, he said. That could shake up continental European currencies.



But the markets had barely allowed for this risk, said Mr Burke. "The market is pricing in Emu as a done deal. I'm not even sure there is any degree of nervousness approaching the Dublin meeting." Paraphrasing comments on the asset markets by Mr Alan Greenspan, chairman of the Federal Reserve, he added: "There's a degree of irrational exuberance relating to Emu."

Delays on a stability pact would hit the lira and boost the D-Mark, currency strategists said. Conversely, a loose pact would hit all prospective Emu currencies against the dollar and the yen.

■ Mr Edouard Balladur, France's former prime minister, yesterday joined the chorus of French politicians outside government in calling for the planned single European currency to be weak against the dollar. Many French politicians think a weak euro would boost their country's exports.

■ OTHER CURRENCIES

Dec 10	£	$
Czech Rp	45.5451 - 45.6858	27.4520 - 27.4820
Hungary	264.704 - 264.947	160.310 - 160.380
Iran	4958.60 - 4953.80	3000.00 - 3000.00
Kuwait	0.4950 - 0.4957	0.2998 - 0.3000
Poland	4.7191 - 4.7253	2.8580 - 2.8600
Russia	9102.05 - 9123.35	5525.00 - 5535.00
U.A.E.	6.0647 - 6.0687	3.6725 - 3.6731

But Goldman Sachs yesterday said there was little scope for the euro to fall against the dollar. It said that if the currencies likely to merge into Emu joined at current exchange rates, the euro would be fairly valued against the US currency. If the lira and peseta joined Emu, it would be 2 per cent undervalued. The risk premium on the dollar, due to the high US current account deficit, would likely exceed any euro risk premium.

"The future European central bank would need to adopt an aggressively easy stance on short-term interest rates in order to force the euro sharply below its fair value," concluded Goldman Sachs. "Although France may want the euro to be a cheap currency, it is not clear to us how this will be brought about."

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POUND SPOT FORWARD AGAINST THE POUND

Dec 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.0592	+0.0162	493 - 691	18.1244	17.9865	18.0157	2.9	17.9582	2.2	-	-	104.4
Belgium	(BFr)	52.9205	+0.0307	879 - 530	53.1300	52.7350	52.7955	2.8	52.5305	2.9	51.3965	3.0	105.1
Denmark	(DKr)	9.8235	+0.0069	189 - 281	9.8615	9.7987	9.8035	2.4	9.763	2.5	9.584	2.4	106.8
Finland	(FM)	7.8782	+0.0009	697 - 867	7.7080	7.6490	-	-	-	-	-	-	84.4
France	(FFr)	8.6814	+0.0178	771 - 856	8.7085	8.6454	8.6607	2.9	[illegible]	2.9	8.4143	3.1	107.7

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.9337	-0.0187	310 - 364	10.9560	10.9110	10.919	1.6	10.8737	2.2	10.6787	2.3	104.1
Belgium	(BFr)	32.0400	-0.065	300 - 500	32.1170	31.9700	31.98	2.2	31.8525	2.3	31.3125	2.3	104.8
Denmark	(DKr)	5.9475	-0.0113	465 - 485	5.9606	5.9370	5.9386	1.8	5.9202	1.8	5.8385	1.8	106.2
Finland	(FM)	[illegible]	-0.0116	440 - 524	4.6801	4.6365	4.6369	2.3	4.6212	2.4	4.5367	2.4	83.7
France	(FFr)	5.2580	-0.003	550 - 570	5.2647	5.2453	5.2477	1.9	5.2297	2.0	5.154	1.9	107.4

Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 9: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

December 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.20	-	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	3¼	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	6	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.00	7.50	7.83
Netherlands	[illegible]	[illegible]	3	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	4.88	5.06	5.13	5.29	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate [illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100% [illegible]

■ ONE MONTH EUROMARK FUTURES (LIFFE) DM3m points of 100% [illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100% [illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100% [illegible]

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100% [illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100% [illegible]

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9275	0.07	0.65	1.23	0.05	0.06	0.09
9300	0.01	0.62	1.02	0.24	0.10	0.13
9325	0	0.43	0.81	0.48	0.16	0.17

Est. vol. total, Calls 4327 Puts 4015. Previous day's open int., Calls 121169 Puts 100815

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
[illegible]																		

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM [illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr [illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100 [illegible]

■ STERLING FUTURES (IMM) £62,500 per £ [illegible]

UK INTEREST RATES

LONDON MONEY RATES

Dec 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK clearing bank base lending rate 6 per cent from October 30, 1996

Certs of Tax dep. (£100,000) [illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100% [illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.14	0.12	0.10	0.02	0.19	0.44
9375	0.02	0.04	0.04	0.15	0.36	0.63
9400	0	0.01	0.02	0.38	0.58	0.86

Est. vol. total, Calls 3940 Puts 2150. Previous day's open int., Calls 246900 Puts 171358

EMS EUROPEAN CURRENCY UNIT RATES

Dec 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
[illegible]						

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) [illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM) [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100% [illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100% [illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100% [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100% [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	•Rea Brothers	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	6.00
•Henry Ansbacher	6.00	Financial & Gen Bank	7.00	•Singer & Friedlander	6.00
Bank of Baroda	6.00	•Robert Fleming & Co	6.00	•Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	6.00	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	•Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	•Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of Scotland	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	•Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
•Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	•Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
		*Mount Credit Corp	6.25		

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COMMODITIES AND AGRICULTURE

Call for more disclosure on LME metal positions

By Kenneth Gooding,
Mining Correspondent

Clients with large positions on the London Metal Exchange should be forced by law to give details of these positions on a regular basis, an independent academic study urges today. The report, drawn up in the wake of the Sumitomo copper trading scandal, also calls for reform of the UK's Financial Services Act to make market manipulation illegal.

The study – *Manipulation of Metals Futures: Lessons from Sumitomo* – was written by Mr Christopher Gilbert, professor of economics at Queen Mary and Westfield College. It calls for the same treatment of positions on all London's futures markets.

Mr Gilbert says the reporting of positions should distinguish those built up to offset over-the-counter contracts – and in the case of the LME should be extended to metal in the exchange's warehouses.

"Increased transparency is the best deterrent to manipulation since market participants can act early to close out positions when they see evidence of the emergence of a potentially manipulative situation," he says. "Publication of aggregated position information can act as a significant impediment to manipulation."

Mr Gilbert urges the SIB to introduce a US-style system for all London markets. The US Commodities Futures Trading Commission requires clients with large positions to report exchange positions every Tuesday. The information is released in aggregate form in weekly reports.

Mr Gilbert argues that Sumitomo manipulated the world copper market, possibly from as early as 1985, but certainly in 1991–96. He insists the Financial Services Act does not make market manipulation illegal – even though the Securities and Investment Board, the UK securities watchdog, suggests it does. The act should be changed "to make illegal any exercise of monopoly power in futures markets which has the effect of generating artificial off-exchange prices".

US experience suggests prosecutions are difficult to bring. "The emphasis should be on prevention rather than prosecution. And the key element in prevention is client position reporting," he says.

Mr Gilbert suggests it would be straightforward to extend client position reporting to all London markets on a statutory basis. While this would force the introduction of an element of extra-territoriality into financial services legislation, "the fact that financial transactions can easily be relocated across national boundaries" makes it inevitable. "From this perspective, the practical issue is to avoid conflicts between the regulations introduced by different regulators," he says.

Mr Gilbert says the LME differs from other futures markets because of its very close links with the metals industry. "Some of these differences, in particular non-cash clearing and the use of historic price carries, are unwise and impose additional risks on LME members, but they do not raise regulatory concerns."

The LME is considering changing its regulations so the executive would be able to obtain more information on members' and their clients' operations and to give it more jurisdiction over them. The SIB is reviewing regulation at the LME. Its report is expected later this month.

Copper up despite rise in stocks

MARKETS REPORT

By Kenneth Gooding

Another rise in the London Metal Exchange copper stocks reported yesterday put pressure on prices early on but in late trading copper for delivery in three months had recovered to $2.136 a tonne, up $3.

Some analysts are suggesting copper prices might jump again in the new year because the market remains very tight – copper for immediate delivery on the LME yesterday commanded a premium over three-month metal of $138 a tonne.

Mr Wiktor Bielski, analyst at Deutsche Morgan Grenfell, said: "One factor to watch over the next three or four weeks is Chinese buying. In past years when Chinese imports have been at high levels, large purchases have been booked for physical delivery in the week between Christmas and new year – which has resulted in significant price movements in the new year.

"Clearly, if this pattern were repeated this year, LME stocks could fall sharply and subsequent price movements could be equally dramatic."

Mr Larry Kaplan at Flemings Global Mining Group said: "On balance our view remains that this is a short-term rally [in the copper price] within a long-term downtrend, but with the caveat that current low stock levels could still allow for further price spikes in the near future."

Gold closed in London near its three-year low at $368.25 a troy ounce, down 70 cents. "The market now has a tired year-end feel to it and book squaring is expected to dominate over the next few weeks," said one trader.

Stainless steel loses its shine

Deborah Hargreaves says world-wide oversupply has led to expectations of widespread rationalisation in European plants

Stainless steel prices have collapsed this year as world production has grown twice as fast as demand for the past 18 months, leading to the expectation of widespread rationalisation among European plants.

The 40 per cent drop in prices pushed down profits at British Steel's Avesta unit and forced Carclo Engineering, the specialist steel and wire maker, to issue a profits warning on Monday.

The decline in the stainless steel market has been building for some time, according to Mr Peter Fish, managing director at Meps steel consultants in Sheffield. "The market is oversupplied, inventories are excessive and a significant amount of new capacity is coming on stream," he said.

Mr Fish said supply in Europe, the US and Japan was around 1m tonnes higher than demand at the start of the year – equal to some 10 per cent of 1995 supply. In addition, more than 1.5m tonnes of new capacity was scheduled to come on stream this year and next.

Stainless steel production is a highly capital-intensive business, but also more lucrative than producing commodity steel. Demand has been growing by 4.5 per cent to 5 per cent a year from domestic appliance makers and the car industry.

But the problem has been that steel mills, keen to move into a value-added sector, have been investing in new capacity at a rate of almost 10 per cent a year for nearly two years.

As prices rose on the back of a surging nickel market last year, consumers built up stocks, but this year they started to offload those on to a weak market. "Now it's all fallen down like a pack of cards," said Mr Fish.

Commodity steel prices have not been as volatile as the stainless market as demand increases have been slower and mills have not invested in large capacity increases. But British Steel has warned that the recent strength of sterling has hurt its chances of selling in France and Germany.

Demand for commodity steel grades is rising by some 1½ to 2 per cent a year.

Analysts believe the market for stainless could have hit its bottom, although they warn against any optimism in the sector. Carclo said on Monday there was unlikely to be a rebound and the company had failed to see any pick up in the market.

"It looks like there is a fragile upturn in the market because most of the destocking is over and the nickel price is lower, which means companies can push through some increase in base prices," said Mr Fidelis Madavo, research manager for stainless steel at CRU International in London.

Most stainless prices are quoted with an alloy surcharge to take account of the cost of nickel or chrome. These are based on an average of London Metal Exchange prices. When alloy surcharges are low, producers are more successful in pushing through rises in the underlying price .

The average nickel price has slipped this year to an estimated $3.48 a lb from $3.73 per lb last year. However, analysts expect the market to pick up again next year to $4.25 a lb as new stainless steel producers compete for market share.

Mr Madavo says stainless prices in Germany, Europe's largest producer, have risen from DM2.10 a kg at their low point five months ago to DM2.50–DM2.60 a kg, but this is not as much as companies would like.

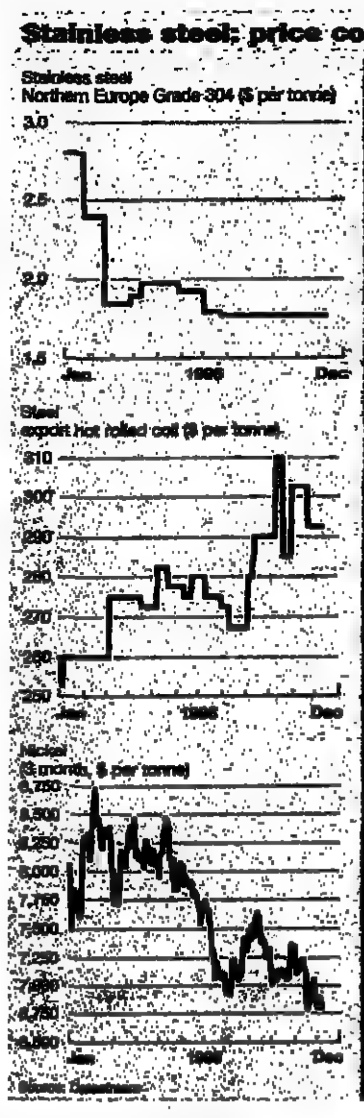
European mills could find it difficult to push for higher prices next year following big increases in capacity among cheaper producers like Taiwan and Korea.

European producers have traditionally sold off surplus output to the export market, but now east Asian mills are producing their own supplies and the market is extremely competitive. This could force further restructuring of the European market.

Mr Fish believes stainless production will have to be held at 14.5m tonnes to bring supply and demand more closely into line; this represents a drop of 500,000 tonnes on 1995 output.

He also warns producers against expecting any sustained upturn in the market, pointing out that the last time there was a big jump in stainless steel capacity, in 1987 and 1988, the over-supply caused a steady price reduction that lasted four years in Germany and three years in the US.

Stainless steel: price collapses



COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1476-7	1507-8
Previous	1484.5-86.5	1514-15
High/low	1478	1511/1509
AM Official	1476-6.5	1508-8.5
Kerb close		1503-4
Open int.	248,920	
Total daily turnover	67,354	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1323-6	1352-5
Previous	1325-28	1354-55
High/low		1355/1350
AM Official	1322-7	1352-5
Kerb close		1352-4
Open int.	6,280	
Total daily turnover	1,648	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	662-3	669-70
Previous	661.5-62.5	668-69
High/low		674/668
AM Official	659.5-60.0	667-7.5
Kerb close		674-5
Open int.	40,302	
Total daily turnover	12,081	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6705-15	6790-800
Previous	6745-55	6830-40
High/low	[illegible]	[illegible]
AM Official	[illegible]	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ TIN ($ per tonne)

	Cash	3 mths
Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low	[illegible]	[illegible]
AM Official	[illegible]	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low	[illegible]	[illegible]
AM Official	[illegible]	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low	[illegible]	[illegible]
AM Official	[illegible]	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ LME AM Official £/$ rate: [illegible]

LME Closing £/$ rate: [illegible]

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

[illegible]	[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int.
Dec	368.7	+0.7	368.8	[illegible]	62	787
Feb	370.5	+0.6	371.3	369.4	12,014	82,817
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
Jan	93.75	-0.05	93.75	93.30	244	1,444
Mar	95.80	+0.10	95.80	95.40	137	2,134
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
Dec	879	+2	[illegible]	[illegible]	[illegible]	[illegible]
Mar	881	-3	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
[illegible]	[illegible]	[illegible]

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
[illegible]	[illegible]	[illegible]

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jan	Apr	Jan	Apr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ COPPER (Grade A) LME	Jan	Apr	Jan	Apr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ COCOA LIFFE	Mar	May	Mar	May
[illegible]	[illegible]	13	16	
[illegible]	[illegible]	24	25	
[illegible]	[illegible]	39	37	
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
[illegible]	[illegible]	[illegible]	5	60
[illegible]	[illegible]	[illegible]	12	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

Dubai	$21.70-1.80w	-0.315
Brent Blend (dated)	$22.57-3.01	-0.26
Brent Blend (Jan)	$23.54-3.58	-0.38
W.T.I.	$24.63-4.68w	-0.485

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$225-228	-3
Gas Oil	$215-217	-3
Heavy Fuel Oil	$114-116	-2
Naphtha	$226-230	-1
Jet fuel	$245-248	-3.5
Diesel	$230-231	-3

■ NATURAL GAS (Pence/therm)

Bacton (Jan)	20.80-21.20	-0.45

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$368.60	-0.20
Silver (per troy oz)♣	481.50c	+2.00
Platinum (per troy oz.)	$367.75	-0.50
Palladium (per troy oz.)	$118.00	+1.00
Copper	116.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.72r	-0.19
Tin (New York)	268.50	-3.0
Cattle (live weight)	105.29p	-1.44*
Sheep (live weight)	137.69p	-0.47*
Pigs (live weight)†	90.05p	-5.74*
Lon. day sugar (raw)	$298.30	-2.20
Lon. day sugar (wte)	$302.40	-2.40
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Jan)♥	80.50p	
Rubber (Feb)♥	80.50p	
Rubber (KL RSS No1)	316.0c	-0.5
Coconut Oil (Phil)§	$785.0y	-5.0
Palm Oil (Malay.)§	617.5	
Copra (Phil)§	495	
Soyabeans (US)	193.0z	-2.0
Cotton Outlook'A' index	79.25	+0.70
Wooltops (64s Super)	396p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. y Dec/Jan♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. † Based on [illegible] head of pigs sold. New method of January.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.65%, $ per tonne, 2,075-2,175 (2,000-2,080). Bismuth: min. 99.99%, tonne lots 3.00-3.40 (3.05-3.40). Cadmium: min. 99.95%, cents a pound, 65-70. Cobalt: MB free market, min. 99.8%, *21.50-22.50 (21.25-22.25)*; min. 99.3%, 20.25-21.00 (20.25-20.85). Mercury: min. 99.99%, $ per 76 lb flask, 162-172. Molybdenum: drummed molybdic oxide, 4.30-4.60 (4.00-4.40). Selenium: min 99.5%, 2.60-3.60 (2.80-3.60). Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 43-53. Vanadium: min. 98%, cif, 3.25-3.35 (3.23-3.30). Uranium: Nuexco unrestricted exchange value, 14.40.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 10	Dec 9	month ago	year ago
na	1846.6	na	na

■ CRB Futures (Base: 1967 = 100)

Dec 9	Dec 6	month ago	year ago
240.32	242.06		

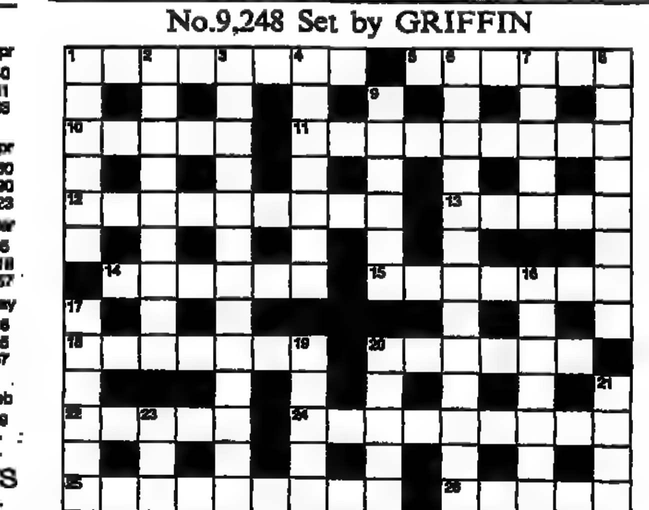
■ GSCI Spot (Base: 1970 = 100)

Dec 9	Dec 6	month ago	year ago
218.54	222.51	206.20	184.45

JOTTER PAD

CROSSWORD

No.9,248 Set by GRIFFIN



Starred clues have no definitions but all have some relevance to motoring

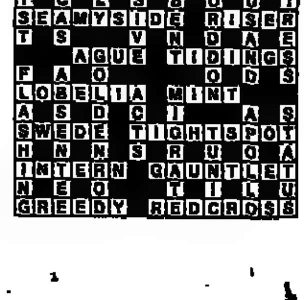
ACROSS

1 Landlord quietly working in a club (8)
5 *About a quarter are of use (6)
10 *Notice the French outside (5)
11 Turns away stranger with a backing group (9)
12 *Jump over a broken cane (9)
13 Players eventually beg for a shower (5)
14 Fate of Mike's new model (6)
15 Shot father managed to grab standard (7)
18 Partly-white tern, allegedly immortal (7)
20 Emperor in vehicle waves back (6)
22 Dance and dawdle back to work (5)
24 Where about 500 lost cows wandered (9)
25 Enterprise Eva turned sour (9)
26 Pop round the A6, somewhere in Italy! (5)
27 If you turn this you'll capsize! (6)
28 Fruit supplier's unusual repartee (4-4)

DOWN

1, 17 *Copper material a six-footer's after (6,8)
2 Supporter exercises holding military cap (5,4)
3 *Punters in mental breakdown (10,5)
4 Counter making a profit before half-past (7)
6 *Go round and hide dishcloth? (10,5)
7 *Reversing or on hill (5)
8 Trying to make notes on saw (8)
9 *Barker takes one to the French (4-2)
16 *Clothing spree on retirement (4,5)
17 See 1 down
19 *Jam, higher in price (4-2)
20 *Whip watches when climbing (4-3)
21 *The final whistle, say (6)
23 Left remaining admirer (5)

Solution 9,247



هكذا من الأصل

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Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

GUERNSEY (REGULATED)(**)

Scudder International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Stokes Fund Managers (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

LGT Asset Management Ltd - Contd.

Murray Johnstone (Dublin) Ltd

Europa House, Harcourt St, Dublin 2

Odey Asset Management Ltd

Old Mutual International Fd Mngrs Ltd

Tilney (Ireland) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Baring Mutual (Ireland) Ltd

Goldman Sachs

Gordon House Asset Management Ltd

HSBC UK Equity Plus Plc

HSBC UK Equity Plus II Plc

Hambros Fund Managers (Ireland) Ltd

Trainer Wortham & Company Inc

Ulster Bank Investment Services

Value Express Fund Plc

Yamaichi Samsung Dynamic Korea Fund

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Royal Bank of Scotland International Ltd

Standard Bank Fund Mgmt (Jersey) Ltd

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monet, L-2180 Luxembourg 352 424949320

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Latin America Equity			$49.07	49.80	—	-
North America Equity			$65.44	65.67	—	-
Asian Tigers Equity			$63.78	64.42	—	-
Europe Equity			$75.16	75.54	—	-
Germany Equity			DM141.08	142.39	—	-
Japan Equity			$48.49	48.96	—	-
Europe Bond			$61.98	62.11	—	-
US Bond			$59.77	60.92	—	-
Global Bond			$61.81	61.95	—	-
Germany Bond B			DM98.76	118.09	—	-
Spain Bond			Pta9979	10244	—	-
Eastern Europe Equity F			DM77.47	181.91	—	-
China Equity F			$63.73	64.02	—	-
Switzerland Equity			SFr128.21	128.84	—	-

Abtrust Fund Mngrs Luxembourg SA (u)

4 Boulevard Royal L 2449 Luxembourg 00 352 227001

Abtrust Atlas Fund

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Global Cap Portfolio			$3.840		+0.055	-
United States Portfolio			$5.727xd		+0.072	-
Cont Europe Portfolio		0	DM8.548		-0.004	-
Japan Portfolio			Y9.601		-0.009	-
Pacific Portfolio			$6.513		+0.045	-
Gold Portfolio			$5.218		+0.007	-
UK Growth of Income			£2.099xd		+0.018	3.61
Dollar Portfolio			$1.585xd		+0.001	7.03
Sterling Portfolio			£1.050xd		+0.001	6.30

Aetna Master Fund (u) (x)

21 avenue de la Liberte, L-1931, Lux 00 352 479 68500

[illegible]

Fidelity Funds - Contd.

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Italy			L14760		+60	-
Japan Smllr Cos			Y974.6		+1.9	-
Korea F		0	$7.247		-0.127	-
Latin America			$8.562		+0.056	-
Malaysia			$35.18		+0.28	-
Nordic			SKr202.0		+1.7	-
Singapore			$26.12		+0.13	-
Switzerland			SFr15.42		+0.13	-
Thailand			$25.99		+0.24	-
United Kingdom			£1.149		+0.002	-
Bond Funds						
European			Ecu11.33		+0.03	5.67
International			$1.061		-0.003	6.27
US Dollar			$5.707		-0.003	5.79
Sterling			£0.252		—	7.18
Yen			Y1080		-5	2.35
Balanced						
European Balanced			DM13.06		+0.09	1.82

Prices as at December 9

Fleming Group (u)

6 Route De Treves L-2633 Senningerberg Luxembourg

00 352 34101 or 0800 050 264

Internet: http://www.flemings.lu/

Fleming Flagship Fund (daily dealing)

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
FFF American			$54.57	57.73	+0.54	-
FFF Amer Fled'ing F			$64.80	68.55	+0.81	-
FFF Asian Smaller Cos F			$10.59	11.20	+0.12	-
FFF China			$15.60	16.50	+1.20	-
FFF Continental Europe F			DM37.49	39.66	+0.25	-
FFF DM Balanced F		5	DM11.18	11.83	+0.09	-
FFF DM Bond		3	DM11.01	11.41	+0.04	6.50
FFF Eastern European F			DM21.89	23.16	-0.14	-
FFF Eastern Opps			$22.63	23.94	+0.30	-

[illegible]

Mercury Asset Management S.A. - Contd.

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Pacific			$19.82	[illegible]		
Singapore & Malaysian			$31.64	[illegible]		
United Kingdom			£41.40	[illegible]		
Asian Opps			$26.84	[illegible]		
European Opps			$34.36	[illegible]		
Global Opps			$11.31	[illegible]		
Japan Opps			$17.72	[illegible]		
North American Opps			$42.85	[illegible]		
United Kingdom Opps			£10.84	[illegible]		
DM Reserve			DM[illegible]	[illegible]		
Dollar Reserve			$108.36	[illegible]		
Sterling Reserve			£116.75	[illegible]		
Swiss Franc Reserve			SFr[illegible]	[illegible]		

Mercury Offshore Stlg Tst-SICAV (u)

Global			£1.767	[illegible]		
Overseas			£1.884	[illegible]		
European			£2.332	[illegible]		
Japan			£0.851	[illegible]		
North American			£2.543	[illegible]		
Pacific			£2.280	[illegible]		
United Kingdom			£1.919	[illegible]		
Reserve			£0.874	[illegible]		

Midland Intl Circuit Fund SICAV

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey

UK Growth			£1.460	[illegible]		
European Growth			£1.703	[illegible]		
European Opps			$4.167	[illegible]		
Japan Growth			£0.779	[illegible]		
Japanese Opps			$2.054	[illegible]		
Pacific Growth			£2.025	[illegible]		
Nth American Growth			£1.043	[illegible]		
American Opps			$3.932	[illegible]		
UK Fixed Interest			£1.235	[illegible]		

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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	Selling Price	Buying Price	+ or -	Yield Gross
Worldwide Limited				
NAV Oct 31	$78.19		—	-
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	$10.49		—	-
Xiphias Int ECU Acc	Ecu1.4787		—	-
Zanett Lombardier Ltd				
NAV Oct 31	$203.54		—	-
Zulauf Investment Management AG				
European Focus Nov 29	DM124.093		—	-
Zweig-DiMenna International Limited				
NAV Oct 31	$15519		—	-

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) 0001 to 1100 hours
(♦) 1101 to 1400 hours
(♠) 1401 to 1700 hours
(♣) 1701 to midnight
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
b Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x Offered price includes all expenses except agent's commission.
z Previous day's price.
§§ Guernsey gross.
♦ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies.
◊ Yield column shows annualised rates of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

LIFE ASSURANCE - Cont.

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' basis.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- Figures or report awaited.
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension.
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress.
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a

FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

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The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Footsie baffles bears with further recovery

MARKETS REPORT

By Peter John

London stocks pushed forward to surprise the pessimists and leave last Friday's slide no more than a misty memory.

A rush of genuine buying, which partly reflected US interest, partly takeover speculation and partly year-end restructuring of portfolios, saw the FTSE 100 index gain 24.1 to 4,035.7.

That rise, combined with Monday's 48.6-point gain, almost made up for Friday's fall, which was prompted by cautious comments from Mr Alan Greenspan, the chairman of the US Federal Reserve. With the Dow Jones Industrial Average up by 82 points overnight, London opened with a fair wind behind it.

And, as most dealers had spent Monday filling in short positions, Wall Street's example was almost certain to squeeze prices higher.

Also, earlier worries began to recede. Strategists decided that Mr Greenspan's earlier comments reflected nothing more than the market consensus that interest rates have to rise.

They said hikes in the US and UK have both been factored into prices.

Additionally, any prospect that the chancellor of the exchequer might choose to increase rates following today's meeting with the governor of the Bank of England faded away.

A rise so soon after the Budget would be seen as a sign that the chancellor had failed to tighten fiscal policy sufficiently. And the latest British Retail Consortium survey showed retail sales growth was beginning to slow, adding to Monday's benign producer price data. Consequently, government bonds were strong throughout the day.

In the afternoon, Wall Street opened up again and moved ahead by more than 30 points to prompt a rush of buying in UK futures, which in turn supported prices in the cash market.

At the close, Footsie was back within striking distance of its previous peak – 4,073.1 – achieved in October. Meanwhile the FTSE 250 index gained 26.9 to 4,411.9.

There was some talk that the market was being overly complacent. On the other hand valuations – whether against bond yields or cash - are reasonable, and nowhere near the danger levels seen in 1987.

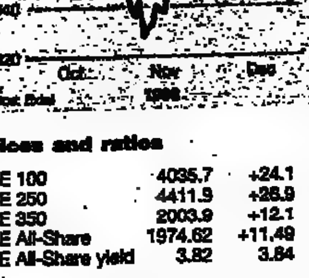
In fact, dealers who arbitrage between UK stocks and their New York equivalents noticed genuine US buying.

This overseas interest combined with recurrent takeover speculation. Rumours of a big move, particularly within the financial sectors of the market, have been prevalent for some time. BAT Industries and Abbey National both had an early Christmas sparkle.

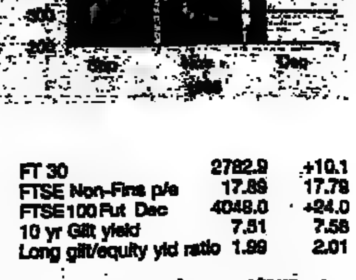
Finally, some institutional investors are starting to adjust portfolios and the movement of some chunky lines of stock helped push the day's turnover up to 860m shares, well up on recent levels.

The volume was above Monday's level, when genuine customer business was worth only £813.2m. It was even above Friday's level which saw huge intra-market churning as well as £1.2bn of retail business.

FTSE All-Share Index



Equity shares traded



Indices and ratios

FTSE 100	4035.7	+24.1
FTSE 250	4411.9	+26.9
FTSE 350	2003.9	+12.1
FTSE All-Share	1974.62	+11.49
FTSE All-Share yield	3.82	3.84
FT 30	2782.9	+10.1
FTSE Non-Fins p/e	17.89	17.79
FTSE100 Fut Dec	4048.0	+24.0
10 yr Gilt yield	7.51	7.58
Long gilt/equity yld ratio	1.99	2.01

Best performing sectors

1 Tobacco .... +2.4
2 Building & Const .... +2.1
3 Oil Exploration .... +1.6
4 Textiles & Apparel .... +1.4
5 Pharmaceuticals .... +1.4

Worst performing sectors

1 Extractive Inds .... −1.6
2 Alcoholic Beverages .... −1.2
3 Water .... −0.9
4 Household Goods .... −0.5
5 Electricity .... −0.2

Lasmo outpaces Footsie

By Steve Thompson, Joel Kibazo and Lisa Wood

Oil exploration group Lasmo powered to the top of the FTSE 100 performance table on the back of two exciting, but speculative, stories.

The first was a suggestion that the company's drilling operations off the coast of Algeria, already viewed as extremely successful, had borne further fruit.

The second and much more speculative story was that a takeover bid for the group could be in the making. There was a buzz around the market that Shell had run its slide rule over the company.

Royal Dutch/Shell was widely rumoured recently to have been interested in bidding for British Gas. Questioned as to its interest in making a bid for Gas, Mr Cor Herkstroter, Royal Dutch's chairman said the company was "looking at many opportunities for takeovers but not at British Gas."

Oil sector specialists were inclined to give much more credibility to the Algerian drilling story than to the takeover rumour.

Lasmo shares, boosted recently by the long drawn-out auction of Sante Fe, the North Sea oil division of the Kuwait Petroleum Corporation, to Norway's Saga Petroleum, closed 6 ahead at 222p. Turnover of 3m shares was not huge by recent standards.

Barclays Bank hit a new high, gaining 13½ to 1036p with most of the gains seen late in the session following an announcement of a disposal.

The group yesterday confirmed the sale of its global institutional custody business to Morgan Stanley.

The stock had moved ahead early in the session boosted by a recommendation from Credit Lyonnais Laing. CLL said it sees "good trading in existing businesses" and is maintaining its top-of-the-range profits estimate for the coming year at £3.62bn, against rival forecasts in the region of £3.45bn.

Merrill Lynch was also reported to favour the stock.

In the rest of the sector, Cazenove was said to have been behind the advance seen in Lloyds TSB. The shares hardened 8½ to 424p, following trade of 9.4m. Royal Bank of Scotland continued in favour, boosted by recent profit upgrades and the shares gained 12½ to 530p.

BAT Industries was one of the day's heaviest traded stocks in the Footsie. Turnover at the close stood at a hefty 23m with the shares having improved 11½ to 488p, amid continuing restructuring talk. Sentiment was also boosted by the overnight strength on Wall Street seen in US group Philip Morris.

Talk that BAT was planning to launch a bid for a UK group continued to circulate. The two composite insurance groups viewed as most likely to attract BAT's attention are Commercial Union and General Accident. Guardian Royal Exchange's restructuring plans announced yesterday are thought to have ruled the company out as a potential target.

Shares in CU firmed 3½ to 668p, while those in GA moved 9 ahead to 722½p. GRE closed 4½ up at 268½p.

BAT was also said to be considering a bid for Imperial Tobacco, the UK group recently demerged from Hanson. Shares in Imperial moved 9 ahead to 378½p. Turnover of 8.1m was said to have included a single buyer of 2.5m.

Hanson shares firmed 1¼ to 83½p.

Bid talk continued to do the rounds in the financial services sector. Speculation about such a bid once again pointed to Prudential. There are those in the market who continue to believe it is only a matter of time before the UK assurance group mounts a bid or announces an alliance with retail banking group Abbey National.

Shares in the former surrendered 2½ to 483p after trade of 7.6m, while those of the latter jumped 17¼ to 708½p, with some 3.5m having been traded by the close.

Dealers expect Abbey National to continue powering ahead irrespective of the bid rumours. The stock has been benefitting from the recent ending of the mortgage rate war – a fact analysts suggest will boost the group's profits prospects over the next year.

The rug was pulled from under RJB Mining, the coal mining group, whose shares plunged 112½, or 23.2 per cent, to 372½p, after the company's own broker, BZW chopped its earnings forecasts.

Guinness was the worst performer in the FTSE 100, falling 9 to 435p, after cautious comments on the Japanese market for alcoholic drinks by Remy Martin – whose brands include Krug champagne and Remy Martin cognac – at its interim results.

Grand Metropolitan, which fell 6 to 437½p, was also adversely affected by the comments, despite not being as exposed to Far Eastern markets as Guinness. The market was also affected by rumours, described by one analyst as "tired", that it might bid for BolsWessanen, the Dutch food and drinks group. The analyst said he thought it highly unlikely that Grand Metropolitan, with its emphasis on global brands, would be interested in a company that was heavily dependent on local markets and own-label products.

Bass, which many analysts consider still to be cheap, rose 11½ to 815p on the back of hopes that, if it disposes of its Holiday Inns in the US, it might use the proceeds to fund a special share buy-back or special dividend. NatWest Securities, in a note, said it was "neutral to positive" on the stock while Kleinwort Benson reiterated its "buy" stance.

Berkeley Group climbed 21 to 632½p after a good set of results, with the group making bullish comments about the prospects for house building.

Safeway climbed 9½ to 385p after it and a number of other food retailers were identified as strong defensive stocks.

Perversely, a number of retailers benefited from downbeat comments from the British Retail Consortium about Christmas trading. One analyst said that the consortium's comments helped play down fears of a consumer boom and interest rate rises. Marks & Spencer strengthened 7½ to 491½p.

Dixons weakened 3 to 560½p and Kingfisher fell 10½ to 625½p following a television report which was critical of the lack of competition on the High Street.

Colt Telecom made an impressive debut. The group's 26.7m shares launched on the market yesterday at 275p a share, closed at 309½p after the first day of trading.

FT 30 INDEX

	Dec 10	Dec 9	Dec 6	Dec 5	Dec 4	Yr ago	*High	*Low
FT 30	2782.9	2772.8	2740.7	2797.1	2799.1	2642.6	2885.2	2668.8
Ord. div. yield	4.09	4.10	4.14	4.05	4.06	4.06	4.22	3.76
P/E ratio net	16.85	16.80	16.65	17.03	17.02	15.84	17.46	15.80
P/E ratio nil	16.71	16.65	16.49	16.87	16.86	15.67	17.30	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2787.7	2786.5	2782.0	2786.3	2785.6	2785.6	2783.0	2781.5	2780.9	2793.4	2778.8

	Dec 10	Dec 9	Dec 6	Dec 5	Dec 4	Yr ago
SEAQ bargains	30,321	37,010	42,424	36,335	34,436	27,454
Equity turnover (£m)†	–	813.2	1231.6	1515.9	873.1	1859.5
Equity bargains†	–	20,862	22,986	20,301	19,674	32,259
Shares traded (ml)†	–	572.6	380.0	431	396.5	637.2

†Excluding intra-market and Crest business and overseas turnover.

	Dec 10	Dec 9	Dec 6	Dec 5	Dec 4	Yr ago	*High	*Low
FTSE AIM	1022.10	1024.00	1019.90	1034.30	1036.10	–	1140.40	965.70

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	995	Total Highs	71	Total contracts	45,274
Total Falls	381	Total Lows	108	Calls	20,741
Same	1,198			Puts	24,533

Dec 10 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4048.0	4044.0	+20.0	4052.0	4026.0	[illegible]	44261
Mar	4067.0	4062.5	+18.5	4070.5	4046.5	3384	20712
Jun		4082.5	+18.5			–	2109

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	[illegible]	4430.5	+27.0	4425.0	4425.0	60	3430
Mar	4475.0	4480.5	+27.0	4475.0	4475.0	60	2188

FTSE 100 INDEX OPTION (LIFFE) (*4034) £10 per full index point

[illegible]

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1996 High	1996 Low	Stock
90	F.P.	14.1	107½	100½	†Access Plus
§70	F.P.	18.5	84½	72½	Advanced Power
*	F.P.	10.2	108	100	†Archer Dedicated
§157	F.P.	40.5	194½	170½	Brands Hatch
§130	F.P.	34.4	152½	130	Britt Allcroft
§138	F.P.	68.8	163½	152½	Car Group
§200	F.P.	38.1	245	229½	Cadcentre
5	F.P.	5.26	6¾	5¾	†Charterhse Comms
§115	F.P.	4.27	122½	120½	†Down Til Dusk
§275	F.P.	71.9	327½	272½	Druid Grp
§92	F.P.	9.26	97½	97½	Easter Inv
–	F.P.	61.5	628¼	614½	Finsbury Intl Hld
§	F.P.	30.6	610	572½	First Russian O
115	F.P.	14.0	130½	122½	†Future Int Tele
§110	F.P.	41.5	132½	114½	†Goshawk Insce
*	F.P.	91.3	133	117½	Granchester
§50	F.P.	5.81	52½	47½	†Kam River
§135	F.P.	28.6	143½	130½	[illegible]
§85	F.P.	16.1	75½	65½	Parkwood
125	F.P.	21.9	135½	122½	Provend
§90	F.P.	18.0	100½	94½	†Recycling Servs
§125	F.P.	35.5	139½	130½	Scot Highland Ht
§	F.P.	9.05	112½	110½	Second St David
§	F.P.	1.02	10½	9½	Do Residual Cap
§	F.P.	10.9	186	183	Do Zero Div Prf
§180	F.P.	18.7	226½	202	Semple Cochrane
[illegible]	[illegible]	25.8	3¾	3¾	†Snakeboard

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Dec 9	% chg on day	Dec 6	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (25)	[illegible]	+0.1	1873.10	[illegible]	[illegible]	–	[illegible]	[illegible]
Regional Indices								
Africa (14)	2167.96	−1.1	2192.81	2037.93	[illegible]	31.22	[illegible]	2181.14
Australasia (8)	2141.99	+2.8	2084.54	2365.47	2.85	21.05	2927.34	2005.78
North America (12)	1761.52	+0.2	1758.64	1753.42	0.74	66.58	2186.39	1646.45

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Dec 10	Day's chge%	Dec 9	Dec 6	Dec 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4035.7	+0.6	4011.6	[illegible]	4051.2	3654.9	3.95	2.03	15.63	167.81	1685.81
FTSE 250	4411.9	+0.6	4385.0	4346.1	4435.6	3933.5	3.57	1.49	23.44	171.05	1804.22
FTSE 250 ex IT	4448.2	+0.6	4421.6	4384.7	4471.5	3941.1	3.67	1.52	22.46	180.59	1823.36
FTSE 350	2003.9	+0.6	1991.8	1969.3	2012.2	1806.8	3.87	1.92	16.82	82.18	1709.89
FTSE 350 Higher Yield	1916.9	+0.6	1906.0	1887.1	1927.4	1803.0	5.14	1.79	13.56	103.10	1378.33
FTSE 350 Lower Yield	2096.2	+0.5	2085.0	2050.7	2104.4	1819.1	2.72	2.14	21.50	61.69	1473.22
FTSE SmallCap	2144.88	+0.3	2137.44	2132.79	2166.85	1945.26	3.22	1.57	24.72	68.27	1789.93
FTSE SmallCap ex IT	2141.36	+0.3	2135.42	2133.49	2164.43	1921.58	3.44	1.64	22.21	72.31	1800.15
FTSE All-Share	1974.62	+0.6	1963.13	1942.22	1983.73	1782.69	3.82	1.90	17.23	79.64	1710.55

FTSE Actuaries Industry Sectors

	Dec 10	Day's chge%	Dec 9	Dec 6	Dec 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(26)	3864.56	.....	3865.03	3809.53	3880.88	3209.16	3.69	1.71	19.82	142.73	1693.69
12 Extractive Industries(6)	4069.21	−1.5	4135.66	4060.74	4182.56	4227.82	3.99	2.66	11.79	162.00	1212.82
15 Oil, Integrated(3)	4002.54	+0.1	3999.84	3941.29	4008.09	3256.24	3.85	1.65	[illegible]	154.36	1802.70
16 Oil Exploration & Prod(15)	2939.08	+1.6	2892.60	2853.88	2927.45	2001.85	1.80	1.73	40.26	52.93	1781.45
20 GEN INDUSTRIALS(275)	1976.53	+0.7	1962.44	1936.07	1988.97	1915.58	4.35	1.66	17.46	81.66	1104.12
21 Building & Construction(34)	1174.36	+2.1	1150.29	1143.28	1155.73	1010.87	3.60	1.51	23.07	40.70	1001.67
22 Building Matls & Merchs(29)	1791.58	+0.1	1789.32	1775.50	1810.75	1743.30	4.33	1.40	20.61	77.54	925.79
23 Chemicals(25)	2370.79	+0.4	2361.86	2348.01	2378.28	2309.70	4.35	1.44	19.94	102.40	1150.68
24 Diversified Industrials(19)	1430.32	+1.0	1415.64	1372.73	1378.23	1731.42	7.11	1.54	[illegible]	[illegible]	[illegible]
25 Electronic & Elect Equip(36)	2248.33	+0.7	2231.72	2205.47	2239.90	2098.91	3.61	1.34	26.46	65.09	1185.15
26 Engineering(71)	2569.15	+0.8	2549.23	2519.88	2576.59	2147.31	3.20	2.30	16.96	81.47	1599.16
27 Engineering, Vehicles(14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28 Paper, Pckg & Printing(26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Textiles & Apparel(19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 CONSUMER GOODS(89)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Alcoholic Beverages(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers(25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods(16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals(14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco(2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES(252)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors(30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels(29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media(44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(45)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Breweries, Pubs & Rest.(21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications(8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS(685)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS(104)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail(9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72 Banks, Merchant(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(21)	1593.10	+0.1	1591.35	1573.03	1624.04	1423.77	5.27	2.29	10.34	80.65	1234.19
74 Life Assurance(7)	3991.94	.....	3992.13	3967.27	4073.39	3413.04	3.89	1.78	18.00	151.01	1697.28
77 Other Financial(20)	2785.78	+0.9	2760.90	2754.32	2799.18	2421.49	4.00	1.77	17.66	104.43	1625.17
79 Property(42)	1715.01	+0.9	1699.47	1689.24	1714.79	1388.71	3.75	1.31	25.54	56.68	1078.63
80 INVESTMENT TRUSTS(126)	3163.27	+0.7	3141.36	3116.52	3189.87	3007.78	2.25	1.13	49.23	70.16	1119.28
89 FTSE All-Share(895)	1974.62	+0.6	1963.13	1942.22	1983.73	1782.69	3.82	1.90	17.23	79.64	1710.55
FTSE Fledgling	[illegible]	+0.4	1205.52	1198.70	1220.86	1105.61	2.89	0.69	62.72	34.10	1286.30
FTSE Fledgling ex IT	[illegible]	+0.4	1218.82	1211.84	1233.94	1108.27	3.09	0.61	66.04	37.22	1302.15

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4033.4	4034.7	4025.3	4033.9	4037.2	4037.6	4035.3	4031.6	4034.0	4043.2	4025.0
FTSE 250	4401.8	4405.7	4406.1	4406.8	4408.1	4408.9	4409.3	4409.7	4411.6	4412.5	4401.2
FTSE 350	2001.9	2002.9	1999.2	2002.6	2004.0	2004.7	2003.4	2002.0	2003.1	2006.0	1999.1

Time of FTSE 100 Day's high: 8.44 AM Day's low: 9.57 AM. FTSE 100 1996 High: 4073.1 (21/10/96) Low: 3632.3 (15/07/96).

FTSE 350 industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1133.0	1135.5	1146.8	1150.8	1148.5	1148.5	1148.7	1149.4	1152.3	1152.0	1120.7	+31.3
Pharmaceuticls	5629.9	5636.0	5629.7	5653.1	5661.0	5655.8	5654.8	5648.9	5668.7	5670.6	5594.0	+76.6
Water	2272.9	2268.0	2255.8	2249.7	2252.9	2249.7	2247.5	2249.5	2250.3	2248.2	2268.3	−20.1
Banks, Retail	4971.8	4984.4	4963.4	4960.2	4966.1	4966.0	4975.0	4964.3	4975.5	4982.3	4923.9	+58.4

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: My Kinda Town (FTSE Fledgling); NAME CHANGE: Beazer Homes now Beazer (21).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Borel	1,800	223	+3
Burmah Castrol†	696	1063½	+16
Burton†	6,000	162½	+3
Cable & Wire†	9,300	484	+4½
Cadbury Schweppes†	7,700	494	+7
Caradon	2,000	286½	
Carlton Comms.†	2,600	501	+12
Chubb	3,300	321	−6½
Coats Viyella	2,600	131	+3
Comm. Union†	4,200	668	+3½
Compass	900	657½	+10
Cookson	3,300	217½	−4
Courtaulds†	1,400	384	−4½
Dalgety	1,200	325½	+4½
De La Rue	194	545½	+½
Dixons†	4,700	560½	−3
EMI†	719	1399	−7
East Midland Elect.	1,100	625	+1½
Electrocomps	1,800	466½	+6
Eng China Clays	540	176½	+3
Enterprise Oil†	1,000	567½	+7
FKI	1,900	206	+6½
Foreign & Col. I.T.	1,000	151½	+¼
Gen. Accident†	3,700	722½	+9
General Elect.†	4,700	371	+6½
Glaxo Wellcome†	6,300	943½	+5
Glynwed	623	335	−6
Granada†	8,600	863	+1½
Grand Met.†	7,400	437½	−6
GUS†	2,800	645	+11½
Greenalls	294	605	+7
GRE†	3,500	268½	+4½
GKN†	372	1070½	+5
Guinness†	8,900	435	−9
HSBC (75p shs)†	3,600	1290½	+9½
Hammerson	461	382½	+4
Hanson†	10,000	83½	+1¼
Hardsons Crosfield	2,400	151½	+6
Hays	632	542	+2
Hillsdown	3,500	189½	+3
Hyder	1,300	747½	−6
IMI	316	373	+4
ICI†	4,500	794½	+4
Imperial Tobacco†	8,100	378½	+9
Inchcape	1,100	260	+4
Johnson Matthey	230	532½	
Kingfisher†	1,800	625½	−10½
Kwik Save	341	313	+7
Ladbroke†	10,200	218½	+4½
Land Securities†	3,700	731	+6½
Laporte	1,100	669½	−6½
Legal & General†	3,700	359	+1½
Lloyds Abbey	684	680	+6
Lloyds TSB†	[illegible]	424	+8½
LASMO†	3,000	222	+6
London Elect	1,300	647	+4½
Lonrho	2,600	120	
LucasVarity†	2,100	232½	−½
[illegible]	[illegible]	[illegible]	[illegible]
Scottish Power†	2,100	343	+4½
Sears	5,900	93½	+1
Sedgwick	213	137½	+1
Severn Trent†	2,500	671	−12½
Shell Transport†	6,200	988	−½
Siebe†	1,800	1001	+17½
Slough Ests	357	267	+6½
Smith (W.H.)	1,300	423	
Smith & Nephew†	3,600	178¾	−¼
SmKl Beecham†	3,700	817½	+19½
Smiths Inds.†	399	764½	+2
Southern Elect	972	781½	−9
South West Water	394	569	−1
Standard Chartd.†	5,000	678	
Storehouse	691	255	−1
T&N	8,400	166½	−2
TI Group†	1,300	545	+1½
Tarmac	3,100	92	+½
Tate & Lyle†	4,400	453	+6
Taylor Woodrow	1,200	184	+2½
TeleWest Comms	338	119	+1½
Tesco†	13,400	345½	−½
Thames Water†	861	579½	−½
Thorn	4,000	289	−2
Tomkins†	1,700	251½	
Unigate	272	415	−2
Unilever†	2,900	1373	−12½
United Biscuits	3,300	202½	+½
Utd. News & Media†	2,300	668½	+3
United Utilities†	2,900	582½	−7½
Vodafone†	12,200	240½	+3½
WPP	4,100	219	+1
Wessex Water	872	359	+7½
Whitbread†	3,300	779	+8
Williams Hldgs.†	1,600	351	+7½
Willis Corroon	377	134	+1½
Wimpey	9,900	126	+2
Wolseley†	391	443½	+1½
Yorkshire Elect	759	765	−6½
Yorkshire Water	2,300	695	−9
Zeneca†	2,000	1632½	+31

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.00pm. † Indicates an FTSE 100 Index constituent. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 10 / Sch)

BELGIUM/LUXEMBOURG (Dec 10 / Frs.)

CZECH REP (Dec 10 / Koruna)

DENMARK (Dec 10 / Kr)

FINLAND (Dec 10 / Mks)

FRANCE (Dec 10 / Frs.)

GERMANY (Dec 10 / Dm.)

GREECE (Dec 10 / Drachma)

ITALY (Dec 10 / Lire)

NETHERLANDS (Dec 10 / Fls.)

NORWAY (Dec 10 / Kroner)

POLAND (Dec 10 / Zloty)

PORTUGAL (Dec 10 / Escudo)

SPAIN (Dec 10 / Pts.)

SWEDEN (Dec 10 / Kronor)

SWITZERLAND (Dec 10 / Frs.)

TURKEY (Dec 10 / TK Lira)

PACIFIC

JAPAN (Dec 10 / Yen)

HONG KONG (Dec 10 / H.K.$)

INDONESIA (Dec 10 / Rupiah)

MALAYSIA (Dec 10 / MYR)

NEW ZEALAND (Dec 10 / NZ $)

SINGAPORE (Dec 10 / S$)

MONTREAL (Dec 10 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Dec 10 / Rand)

AUSTRALIA (Dec 10 / Aus$)

SOUTH KOREA (Dec 10 / Won)

TAIWAN (Dec 10 / TW $)

THAILAND (Dec 9 / Baht)

NORTH AMERICA

CANADA

TORONTO (Dec 10 / Can $) 4 pm close

INDICES

	Dec 10	Dec 9	Dec 6	1996 High		Low	
Indonesia							
Jakarta Comp (10/8/82)	636.67	634.57	628.12	694.37	9/12	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2584.19	2608.70	2648.31	2709.84	4/10	2234.81	2/1
Italy							
Banca Comm Ital(1972)	652.38	650.78	648.58	704.10	20/5	572.21	27/3
MIB General(2/1/95)	1106.0	1104.0	1087.0	1142.00	20/5	978.00	27/3
Japan							
Nikkei 225(16/5/49)	20832.12	20663.71	20276.70	22666.80	26/6	19734.70	13/6
Nikkei 300(1/10/82)	292.38	293.14	288.99	319.70	26/6	284.45	11/6
Thailand							
Bangkok SET(30/4/75)	(c)	889.46	876.89	1415.84	6/2	876.89	6/12
Turkey							
Istanbul Comp(Jan 1986)	93217.1	93817.2	94407.2	94407.20	6/12	38779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	824.9*	821.6	813.4	837.20	25/11	725.90	15/1
CROSS-BORDER							
Eurotrack 100(25/10/90)	1877.65	1869.86	1847.18	1889.49	3/12	1504.48	11/1
Euro Top-100(26/6/90)	1572.57	1585.40	1546.89	1583.23	3/12	1333.01	11/1
HSBC JC Drgn(31/12/88)	(d)	409.75	408.30	428.28	27/11	344.19	2/1
MS Emgs Euro(7/1/92)	158.21	158.56	158.94	165.91	4/2	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Dec	2274.0	2257.0	-3.0	2274.0	2246.0	11,646	26,758
Jan	2279.0	2261.5	-3.5	2279.0	2258.0	94	3,847
DAX							
Dec	2893.0	2889.5	+20.5	2899.0	2889.5	17,979	92,250
Mar	2914.5	2910.5	+23.0	2919.5	2905.0	5,914	22,496
OMX							
Dec	1835.00	1848.00	+12.00	1852.00	1835.00	5,882	21,287
Jan	1853.00	1850.00	+3.00	1858.25	1849.00	1,143	10,033
SOFFEX							
Dec	3898.5	3890.5	+18.5	3904.0	3886.0	3,277	20,824
Jan	3910.0	3894.0	+19.0	3910.0	3894.0	379	2,756

US INDICES

Dow Jones	Dec 9	Dec 6	Dec 5	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6463.94	6381.94	6437.10	6547.79 (25/11)	5032.94 (10/1)	6547.79 (25/11/96)	41.22 (8/7/32)
Home Bonds	103.46	103.33	103.57	106.09 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2295.82	2274.16	2315.47	2315.47 (5/12)	1982.71 (18/1)	2315.47 (5/12/96)	13.23 (8/7/32)
Utilities	233.23	231.46	235.86	238.12 (25/11)	204.86 (30/7)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6496.73 (6441.20) Low 6375.73 (6274.24) (Theoretical♦) Day's high 6487.29 (6433.38) Low 6383.44 (6282.50) (Actual♦)

Standard and Poors							
Composite‡	749.76	739.60	744.38	757.03 (25/11)	598.48 (10/1)	757.03 (25/11/96)	4.40 (1/6/32)
Industrials¥	881.43	868.47	875.37	887.49 (2/12)	702.07 (15/1)	887.49 (2/12/96)	3.52 (30/6/32)
Financial	82.44	81.60	81.31	84.93 (29/11)	58.87 (10/1)	84.93 (29/11/96)	7.13 (4/9/74)
NYSE Comp.	394.69	390.15	392.75	398.86 (25/11)	321.41 (10/1)	398.86 (25/11/96)	4.64 (25/4/42)
Amex Mkt Val	590.48	585.70	590.03	614.98 (22/5)	525.60 (16/7)	614.98 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1316.27	1287.68	1300.12	1316.27 (9/12)	988.57 (15/1)	1316.27 (9/12/96)	54.87 (9/10/74)

RATIOS

	Dec 6	Nov 29	Nov 22	Year ago
Dow Jones Ind. Div. Yield	2.05	2.02	2.06	2.27
	Dec 4	Nov 27	Nov 20	Year ago
S & P Ind. Div. yield	1.83	1.81	1.84	1.95
S & P Ind. P/E ratio	23.05	23.30	22.99	18.98

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Santa Fe P	7,766,000	15½	+1¼
Cypress Sm	7,898,200	15½	+1⅝
AT & T	4,069,800	39¼	+½
Micron Tc	3,733,100	35⅜	+1⅛
Philip Mr	3,655,900	114¼	+4⅝
Wal-Mart	3,538,800	24¼	-⅛
Pepsico	3,077,100	29⅝	+¼
Compaq Cp	2,800,100	85¼	+2
IBM	2,764,400	160	+4⅝
Monsanto	2,739,300	40⅝	-⅛

TRADING ACTIVITY

● Volume (million)	Dec 9	Dec 6	Dec 5
New York SE	381.573	497.799	486.310
Amex	20.293	27.235	25.890
NASDAQ	589.529	662.553	618.118
NYSE			
Issues Traded	3,331	3,313	3,325
Rises	1,930	562	1,228
Falls	635	2,054	1,282
Unchanged	766	697	815
New Highs	155	52	122
New Lows	15	86	26

S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	751.70	753.90	+2.40	753.90	751.60	67,891	157,480
Mar	759.50	761.00	+2.45	761.00	758.70	10,994	64,884

Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	20730.0	20790.0	+120.0	20880.0	20670.0	24,485	161,007
Mar	20800.0	20840.0	+130.0	20930.0	20720.0	27,660	198,992

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

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TOKYO - MOST ACTIVE STOCKS: Tuesday, December 10, 1996

	Stocks Traded	Closing Prices	Change on day
NEC Corp	8.5m	1,420	+40
Mitsubishi Hvy	6.2m	948	+13
Fujitsu	6.2m	1,100	+20
Hitachi	6.0m	1,090	+20
Toyota Motor	5.0m	3,270	+20
Nippon Steel	4.6m	339	-3
Mitsubishi Elec	4.1m	693	+19
Ricoh	3.6m	1,330	
Nissan Motor	3.5m	803	+6
Sakura Bank	2.9m	982	+2

4 pm close December 10

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

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4 pm close December 10

NYSE PRICES

Continued from previous page

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. dd-loss. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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AMEX PRICES

4 pm close December 10

NASDAQ NATIONAL MARKET

4 pm close December 10

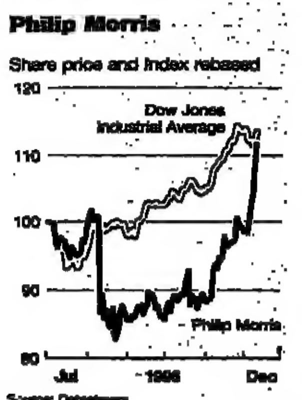
* FINANCIAL TIMES Wednesday December 11 1996

Rise in chip orders helps lift Nasdaq

AMERICAS

Technology shares continued to lead the advance in US equities yesterday in the wake of a report showing rising demand for semiconductors, *writes Lisa Bransten in New York.*

In early afternoon trading, the Nasdaq composite, which is weighted toward the technology sector, was up 8.15 at 1,324.42 and the Pacific Stock Exchange technology index had gained 0.4 per cent.



After the market closed on Monday, the Semiconductor Industry Association said that the ratio of orders taken to orders filled – a key measure of chip demand – rose to its highest level this year. That news helped chip companies such as Intel, up $2⅝ at $132⅛, Texas Instrument, $⅝ stronger at $67⅛, and Motorola, which added $⅞ at $55⅞.

Dell Computer and Microsoft, both of which split their stock this week, posted strong gains.

Dell advanced $3¼ at $63⅝ and Microsoft climbed $2⅛ at $83⅞.

Adding to strength in technology shares was a gain of $4⅞ or 8 per cent to $64⅞ by Netscape Communications, the Internet software company.

Netscape announced early yesterday that it had reached an agreement with five of the regional telephone companies to provide browser software for their Internet services.

Continued strength in Philip Morris helped to boost the Dow Jones Industrial Average.

By 1 pm the blue chip index was 28.32 stronger at 6,492.26, having earlier moved above the 6,500-mark and then fallen back. The Standard & Poor's 500 added 1.50 at 751.26. Volume on the NYSE came to 249m shares.

By midday yesterday, shares in Philip Morris had added more than $13 since the start of the month with a gain of $2¼ at $116⅛. The move had come in the wake of several upgrades by analysts and general strength in shares of consumer products companies.

The consumer products sector continued to show strength with the Morgan Stanley index of such companies advancing 0.3 per cent, while the counterpart index of cyclical shares added just 0.1 per cent.

Black & Decker shares lost $6⅛ or 16 per cent at $31⅛ after the company warned that fourth quarter earnings would not meet analysts' estimates and would probably fall below $1 per share because of weakness in power tool sales.

TORONTO continued to gain ground, advancing on a broad front in a morning session dominated by the healthy trend on Wall Street. At noon, the 300 composite index was up 38.66 at 5,945.20.

All but one of the index's 14 sub groups were ahead, consumer products putting up the strongest performance with an improvement of 1.1 per cent.

Potash Corp of Saskatchewan surged C$6.35 to C$117.35 on the acquisition of a 51 per cent stake in Germany's Kali und Salz Beteiligungs for $164m.

Among blue-chips, Alcan Aluminium added 20 cents to C$47.20 and Canadian Pacific put on 60 cents to C$36.85. Royal Bank of Canada rose 45 cents to C$48.85.

Among golds, Barrick Gold hardened 5 cents to C$40.10.

Sao Paulo waits for vote

SAO PAULO edged lower as investors awaited a senate vote, due later in the day, on a bill to give congress powers to remove companies from the country's privatisation programme. The bill has been aimed principally at stopping the privatisation of the mining giant, Companhia Vale do Doce. The Bovespa index at midsession was 49 weaker at 68,315.

BUENOS AIRES moved higher but in quiet conditions, awaiting today's consumer price index in the US. The Merval index was 4.94 higher by midsession at 631.94.

SANTIAGO continued this week's technical rebound after its 7 per cent decline during the previous two weeks. The IPSA index was 1.05 higher by noon at 91.60.

Industrials lead in S Africa

After a slow start, shares in Johannesburg enjoyed a positive session with futures activity swinging back to the upside and continuing to dictate events.

At the close, the overall index was 51.2 higher at 6,666.4 following gains of 77.4 to 7,897.4 for the industrial shares index.

Golds traded quietly, tracking a subdued bullion price and ending 8.6 better at 1,526.4.

The afternoon session was described by dealers as "hectic at times". There was said to have been institutional activity as well as significant futures-led buying.

Remgro gained R1.05 to R42.90 and Sasol added R1.00 to R57.25. Among golds, Loraine came off 40 cents to R13.30.

Hoechst gains, Clariant rockets on merger

EUROPE

The latest cross-border restructuring deal moved a lot of money around. Hoechst, which said that its speciality chemicals merger with Clariant of Switzerland could save each group DM600m a year, climbed DM2.45 or 3.6 per cent to DM71.22.

The German chemicals group, a byword for restructuring and the pursuit of shareholder value, had doubled its effective share price between DM30 in mid-1995 and just over DM60 a month ago; at that point, it saw a further series of broker buy recommendations.

Clariant, the speciality chemicals business spun off by Sandoz last year, rocketed 13.4 per cent as the market digested news of the merger, which could leave Hoechst with 40 per cent of the Swiss group.

The shares were SFr60 higher at SFr508 on the view that the deal would be positive in terms of products and future business, even if the geographical fit of the two companies, heavily weighted in Europe, was not ideal.

One analyst tentatively set a target price for the Clariant shares of SFr700, but added that even that might prove conservative.

Hoechst's French pharmaceuticals subsidiary, Roussel Uclaf, was drawn higher in the wake of the deal and closed FFr39 or 2.8 per cent better at FFr1,439.

FRANKFURT extended Monday's recovery as the dollar held above DM1.55, and the Dax index put on another 20.65 at 2,890.95. The big three chemicals stocks headed the activity charts, accounting for over DM2.5bn between them as turnover rose from DM9bn to DM10.9bn.

Once again, investors were picky elsewhere in the sector. Henkel's higher debt-financed and winning bid for Loctite of the US was punished by a share price fall of DM2.30 or 3 per cent to DM73.90. Schering fell another DM1.40 to DM129.10.

In the automotive sector, Volkswagen was positive on 1996 prospects and rose DM11.05 to DM613.05; but MAN, the truckmaker, saw the possibility of a dividend cut for 1996-97 and fell DM12 or 2.45 per cent to 664.95.

PARIS traded narrowly in a session where volume stayed low even after the news that fresh Thomson privatisation terms were to be unveiled shortly, possibly this week.

Quite what the French authorities had in mind second time round for the Thomson defence and electronics business was left to market conjecture. But Alcatel Alsthom came off FFr15.30 to FFr433.50.

Lagardère added 50 centimes at FFr150.50 and Thomson-CSF held steady at FFr167.50.

"What the government is up to this time is anybody's guess", said one dealer. He pointed out that part of the Alcatel Alsthom weakness reflected losses at its Alcatel CIT telecoms unit.

Carrefour was again well-supported, rising FFr15 to FFr3,180 after recent positive results. Club Med continued to gain from takeover speculation, adding FFr2.10 to FFr347 for a two-day rise of 11 per cent.

FTSE Actuaries Share Indices

Dec 10							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1877.45	1879.23	1878.84	1881.53	1881.59	1879.49	1878.85	1877.65
FTSE Eurotrack 200	1918.44	1920.36	1921.10	1924.35	1921.28	1921.12	1920.15	1919.80

	Dec 9	Dec 6	Dec 5	Dec 4	Dec 3
FTSE Eurotrack 100	1859.86	1847.18	1893.77	1890.88	1899.49
FTSE Eurotrack 200	1907.05	1880.74	1925.76	1925.28	1940.43

Base value 1000 (26/10/90). Highday: 100 - 1882.56; 200 - 1925.21 Lowday: 100 - 1877.50 200 - 1916.00. † Partial

At the close of the session, more than a third of the CAC 40 components were unchanged. The index ended off 4.44 at 2,251.40.

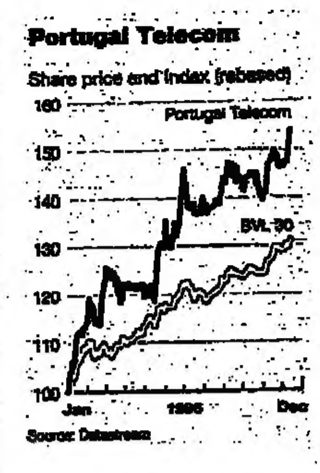
AMSTERDAM was overshadowed by a dull bond market and moved gently lower through most of the session. Bolswessanen and Hoogovens were strong features, but trading overall was subdued and the AEX index dipped 1.57 to 622.33.

Bolswessanen was up almost 8 per cent at one stage following a Dutch press report that Grand Metropolitan, the UK drinks and foods group, was set to mount a bid. Both companies denied the story and Bolswessanen eventually closed Fl 2.00 higher at Fl 32.00 in volume of 2.6m shares.

Hoogovens gained more than 2 per cent, rising Fl 1.50 to Fl 71.90. A number of brokers have recently turned positive on the shares which yesterday also gained from talk of further steel alliances in Belgium.

Among internationals, Royal Dutch shed Fl 1.90 to Fl 286.10 on the back of some slippage for oil prices. Philips came of 50 cents to Fl 68.60 in spite of the good showing by the US semiconductor book-to-bill ratio for November.

Randstad, the employment agency, recovered strongly after negotiating an agreement on pay for part-time workers. The shares jumped Fl 6.20 to Fl 127.30.



ZURICH saw activity elsewhere in the pharmaceuticals sector as Moody's, the US credit ratings agency, upgraded the long term debt of Ciba and Sandoz ahead of their merger into Novartis. Ciba rose SFr14 to SFr1,630 and Sandoz was SFr16 higher at SFr1,535.

The broad market was firm, with strong buying interest seen from overseas investors. The SMI index finished 11.4 higher at 3,885.4.

Four bourses hit new all time highs, including the Nordic trio of **COPENHAGEN, OSLO** and **HELSINKI**. The fourth, **LISBON**, was lifted by Portugal Telecom, which peaked at Esc4,353, up Esc126 as the BVL 30 index closed 12.20 higher at 2,118.59.

Monday's successful flotation of Telecel, Portugal's leading mobile phone operator, freed funds which came back into Telecom. Telecel made its debut and peaked at Esc9,849 in an illiquid market, before settling at Esc9,500 against an offer price of Esc7,950.

MILAN was unsettled by a report that Chancellor Helmut Kohl's Christian Democrats were looking at ways of binding Italy into European monetary union, but at the same time delaying full membership until 2002.

The Comit index rose 1.60 to 652.38, while the real-time Mibtel index turned back from a high of 10,449 to finish 29 weaker at 10,345.

Against the trend, Mr Carlo De Benedetti's financial holding company, Cofide, jumped L71.2 to L881.2, while Cir, the industrial holding company, surged L75.4 to L1,000. The shares have been on an upward path since news emerged last week that Mr Luigi Giribaldi, the Monaco-based businessman, had raised his stake in Cofide.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

China enterprise shares take off in Hong Kong

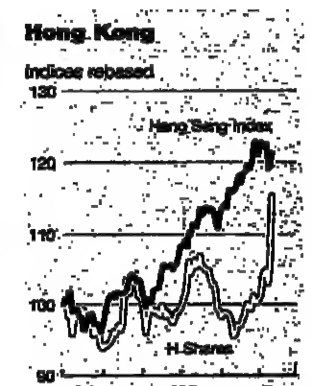
ASIA PACIFIC

News of very heavy subscriptions for two new issues boosted **HONG KONG**. The day was also enlivened by a 10 per cent jump to a nine-month high in H shares, as Chinese state enterprises listed in the colony sought to catch up with the recent phenomenal rises in China's hard currency B shares.

The Hang Seng index closed 198.23 up at 13,342.46, turnover remaining robust at HK$9.2bn as substantial sums flowed back to the market from unsuccessful new issue applications.

An offer from Solartech of 125m shares at HK$1.20 a share was 121 times subscribed, tying up nearly HK$19bn.

Among the best performing H shares, Zhenhai Refining put on 50 cents or 22.5 per cent to HK$2.725, followed by Shanghai Haixing Ship with a rise of 14 cents or 20.3 per cent to 83 cents.



TOKYO enjoyed heavy buying of blue chips, particularly NTT and semiconductor-related stocks, *writes Gwen Robinson.*

The Nikkei 225 average added 218.41 to 20,822.12, after moving between 20,675.68 and 20,853.56. Volume swelled from 237m shares to an estimated 337m shares as investors returned to the market, encouraged by Wall Street's strong performance overnight in the wake of last Friday's "Greenspan scare".

The Topix index of all first-section stocks gained 10.22 to 1,542.99 and the capital-weighted Nikkei 300 was up 2.24 at 292.38. Advances led declines 668 to 337, with 187 unchanged.

In London, the ISE/Nikkei 50 index rose 1.66 to 1483.41.

The market was still two-tiered, investors buying higher priced, market-leading blue chips in preference to cheaper issues. Among individual issues, NTT climbed Y29,000 to Y912,000 on its restructuring plans and its international prospects. Other telecoms gained: DDI was up Y18,000 to Y824,000 and Japan Telecom Y40,000 to Y2.72m. Semiconductor-related issues also rose on heavy volume, following the release of strong US November data for the industry. NEC, the day's most active issue, added Y40 to Y1,420 in volume of 8.5m shares. Mitsubishi Electric gained Y19 to Y693 and Fujitsu Y19 to Y678. Sony led other electricals, gaining Y160 to a new high for the year of Y7,680.

Suzutan, Japan's largest women's wear retailer, plunged Y27 to Y420 following Monday's revelation that its president has been accused of insider trading of the company's shares in 1994.

In Osaka, the OSE average added 153.61 to 21,106.01 in volume of 26.8m shares.

SHANGHAI's hard currency B shares remained on their upward roll, surging another 9.203 or 12.2 per cent to end at a 1996 high of 84.534, with the supply of shares unable to meet strong demand from domestic and foreign institutional and individual investors.

Analysts noted that while some shares had risen by about 200 per cent over the last three trading days, a large price gap still existed between B shares and their A share equivalents in Shanghai and Shenzhen. Turnover hit a record of $47.4m.

SHENZHEN's B shares ran into profit-taking after the steep rises of recent sessions. The index lost 4.26 to 193.87 after hitting an intraday high of 201.87. Turnover pulled back to HK$724.8m.

JAKARTA came off sharply following a shakeout for Telkom, an index heavyweight. The composite index fell 7.90 or 1.24 per cent to 626.68.

Telkom fell 6.06 per cent to Rp3,875 on a volume of 4.1m shares. Brokers said the selling was sparked by talk that the group was set to make a further share offering next year.

SINGAPORE failed to maintain its best levels of the day, as investors became increasingly cautious about the outlook for Wall Street, but the Straits Times Industrial Index still ended 12.37 higher at 2,209.50.

The electronics sector rose 3.7 per cent, led by a S$1.60 rise to S$13.80 in Creative, a multimedia company, on the strong November US book-to-bill ratio for semiconductors.

SEOUL staged a technical rebound after six consecutive days of declines, with the market cheered by news that the ruling New Korea party and an investment companies' association had asked for government steps to boost the stock market.

They also called for a delay in the government's planned sale of stakes in Korea Telecom and other state-run companies to ease fears about a share oversupply.

The composite index ended 10.66 higher at 702.83, with about 6 points of that rise coming from a Won1,500 or 6.3 per cent rise to Won25,500 in Korea Electric Power, the most heavily weighted stock in the index.

TAIPEI finished slightly higher with worries over inflation and a lack of market-boosting news to offset Wall Street's strong overnight showing. The weighted index closed 32.20 higher at 6,841.03.

The prospect of higher oil prices sparked the inflation fears. Chinese Petroleum, the state oil monopoly, plans to raise domestic oil prices.

"Although the planned hike in oil prices is not a surprise, investors used this as an excuse to withdraw to the sidelines," said one broker.

SYDNEY moved ahead on Wall Street, led by gains in bank shares and in News Corp. The All Ordinaries index added 22.0 at 2,361.8. NAB gained 40 cents to A$15.25 and Westpac put on 12 cents to A$7.32. News advanced 18 cents or 2.8 per cent to A$6.57.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	MONDAY DECEMBER 9 1996								FRIDAY DECEMBER 6 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (77)	216.25	2.0	194.61	154.90	175.00	179.17	1.3	4.25	211.98	191.43	151.09	169.76	176.93	224.61	186.70	186.70
Austria (24)	183.95	0.0	165.54	131.77	148.86	148.77	1.1	1.92	183.87	166.04	131.00	147.25	147.15	195.04	168.36	173.37
Belgium (27)	224.23	–0.4	201.79	160.62	181.46	177.53	0.7	3.76	225.21	203.38	160.45	180.36	176.31	229.11	200.45	200.45
Brazil (28)	184.51	–0.1	166.05	132.17	149.32	351.38	–0.1	1.74	184.79	166.88	131.66	147.99	351.92	189.70	131.21	138.63
Canada (116)	191.14	2.2	172.01	136.91	154.68	187.54	1.8	1.92	186.98	168.85	133.22	149.74	184.19	196.24	144.35	146.08
Denmark (30)	334.28	–0.1	300.83	239.45	270.52	270.92	0.9	1.70	334.47	302.04	238.29	267.85	268.44	340.41	281.10	285.53
Finland (24)	237.91	–2.4	214.11	170.42	192.53	232.69	–1.2	2.16	243.66	220.04	173.60	195.13	235.62	243.68	171.73	207.82
France (93)	206.47	–0.4	185.81	147.90	167.09	170.33	0.8	2.87	207.28	187.18	147.67	165.99	169.00	212.49	171.33	175.28
Germany (58)	186.33	1.2	167.68	133.47	150.79	150.79	2.3	1.80	184.09	166.24	131.15	147.42	147.42	189.86	161.25	161.50
Hong Kong (59)	499.01	0.2	449.07	357.45	403.83	495.45	0.2	3.13	498.15	449.85	354.91	398.94	494.51	513.18	372.58	378.00
Indonesia (27)	227.69	0.4	204.90	163.09	184.26	328.66	0.4	1.57	226.86	204.88	161.64	181.69	327.22	–	–	–
Ireland (16)	313.22	0.9	281.87	224.36	253.47	266.88	0.7	3.42	310.26	280.17	221.04	248.46	265.01	321.14	250.17	254.11
Italy (58)	80.62	–0.4	72.55	57.75	65.24	92.28	0.3	2.25	80.92	73.06	57.65	64.81	91.97	84.53	69.45	69.45
Japan (480)	137.30	0.6	123.56	98.35	111.11	98.35	1.1	0.78	136.54	123.30	97.28	109.34	97.28	164.68	136.54	152.92
Malaysia (107)	588.89	0.9	529.96	421.83	476.56	572.24	1.0	1.09	583.59	527.01	415.78	467.36	566.35	607.65	475.66	476.84
Mexico (27)	1202.99	0.5	1082.60	861.71	973.52	10390.76	0.1	1.06	1197.37	1081.26	853.07	958.90	10380.88	1325.65	936.49	980.86
Netherland (19)	319.08	0.1	287.15	228.56	258.22	254.32	1.2	2.91	318.81	287.90	227.14	255.31	251.37	328.12	265.24	265.37
New Zealand (15)	92.47	0.7	83.22	66.24	74.83	69.56	0.3	3.96	91.87	82.96	65.45	73.57	69.32	94.40	75.94	77.04
Norway (35)	283.14	0.8	254.80	202.81	229.13	249.72	1.7	2.02	280.95	253.71	200.16	224.99	245.65	285.26	222.24	226.63
Philippines (22)	197.88	–1.9	178.08	141.75	160.14	259.36	–1.9	0.64	201.77	182.20	143.75	161.58	264.45	–	–	–
Singapore (43)	414.76	0.7	373.25	297.09	335.64	267.87	0.8	1.01	412.05	372.09	293.56	329.98	265.74	465.21	371.28	386.50
South Africa (44)	317.45	–0.3	285.68	227.39	256.90	325.31	0.2	2.41	318.48	287.60	226.90	255.05	324.66	437.76	314.20	387.40
Spain (37)	199.48	–1.1	179.52	142.89	161.49	197.94	–0.2	3.03	201.69	182.13	143.69	161.52	198.28	201.69	157.91	157.91
Sweden (48)	411.69	0.2	370.49	294.90	333.16	417.03	1.0	2.04	410.76	370.93	292.64	328.95	412.73	416.67	294.19	309.39
Switzerland (37)	237.38	–0.7	213.63	170.04	192.11	195.46	1.0	1.52	238.95	215.78	170.24	191.38	193.50	254.34	219.29	227.11
Thailand (46)	108.81	1.4	97.92	77.94	88.06	108.01	1.5	3.18	107.33	96.93	76.47	85.96	106.43	193.95	107.33	164.49
United Kingdom (219)	265.54	1.5	238.97	190.21	214.89	238.97	1.2	3.98	261.60	236.24	186.38	209.50	236.24	273.93	222.43	222.97
USA (623)	305.22	1.4	274.67	218.63	247.00	305.22	1.4	1.97	300.95	271.77	214.42	241.01	300.95	307.82	243.34	252.17
Americas (784)	279.05	1.4	251.12	199.88	225.82	234.68	1.4	1.96	275.10	248.43	196.00	220.31	231.41	281.50	222.53	229.69
Europe (720)	229.29	0.5	206.35	164.24	185.56	199.21	1.1	2.91	228.07	205.95	162.49	182.64	197.02	234.56	194.31	195.29
Nordic (137)	351.56	–0.1	316.38	251.83	284.50	310.93	0.8	2.01	351.99	317.86	250.78	281.88	308.57	355.21	261.13	277.32
Pacific Basin (875)	155.20	0.6	139.66	111.17	125.59	112.22	1.0	1.25	154.25	139.29	109.89	123.52	111.11	177.01	153.86	162.76
Euro-Pacific (1595)	185.96	0.6	167.35	133.21	150.49	145.03	1.1	2.11	184.90	166.97	131.73	148.07	143.51	191.51	175.04	176.21
North America (739)	298.37	1.5	268.51	213.73	241.46	297.48	1.4	1.97	294.08	265.57	209.52	235.51	293.27	301.15	237.55	245.74
Europe Ex. UK (507)	204.92	0.0	184.41	146.78	165.83	174.66	1.1	2.28	204.95	185.08	146.02	164.13	172.77	209.70	174.81	175.65
Pacific Ex. Japan (395)	310.17	0.8	279.13	222.18	251.01	266.86	0.7	2.79	307.66	277.85	219.21	246.40	265.13	317.82	257.81	258.13
World Ex. US (1810)	186.12	0.6	169.90	134.75	152.24	150.38	1.1	2.09	186.96	168.83	133.20	149.72	148.81	193.47	176.03	177.28
World Ex. UK (2220)	221.14	0.9	199.01	158.41	178.96	190.33	1.2	1.89	219.13	197.88	156.12	175.48	188.02	224.89	196.13	198.02
World Ex. Japan (1953)	271.03	1.1	243.90	194.14	219.33	256.22	1.2	2.33	268.14	242.14	191.04	214.74	253.08	274.88	224.52	227.00
The World Index (2433)	224.97	1.0	202.45	161.15	182.05	194.85	1.2	2.04	222.79	201.19	158.73	178.42	192.50	228.97	198.47	200.25

PLEASE NOTE: Amendments to indices 09/12/96 applied to USA, Mexico, Brazil, Canada and related regional indices and the World Index. Latest prices were unavailable for this edition.